Ways to Work®

2006 EVALUATION OF THE NATIONAL *WAYS TO WORK* PROGRAM

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Evaluative studies such as this are only accomplished through much hard work and valuable contributions. WtW would like to gratefully acknowledge the following individuals and organizations for their respective roles in the project:

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BACKGROUND

Ways to Work (WtW) is a unique federally certified Community Development Financial Institution (CDFI) based in Milwaukee, Wisconsin. Through a network of loan offices across the country, it provides small, short-term, low-interest loans to "working poor" families with challenging credit histories. A main program goal is to move families toward economic self-sufficiency by helping them purchase modestly priced used vehicles. The cars are intended to increase program participants' job security by cutting down on lateness and absenteeism and help them move forward in their career ladder by giving them access to better paying jobs.

Local WtW offices typically partner with the local banking community to administer the loans which borrowers are required to repay within two years. Offices are hosted within member agencies of the Alliance for Children and Families, a national nonprofit organization representing more than 350 child and family serving organizations. This arrangement ensures that WtW borrowers have ready access to a wide variety of services that help them be successful with their loans.

Over the past two decades, WtW has grown from a relatively small program funded exclusively by the McKnight Foundation to one that operates in approximately 50 locations across two dozen states, with varied philanthropic and government funding sources. Abundant anecdotal evidence and a previous evaluation suggest that the program has a significant impact on various aspects of participants' lives. However, the WtW board felt a more rigorous evaluation was needed to help make a research-backed case for the effectiveness of their car loan program. Guided by a research advisory group, the WtW national office established two goals for this evaluation: 1) assess program impact on borrowers, and 2) identify the most effective program elements.

Methodology

The OMG Center for Collaborative Learning (OMG) in Philadelphia was selected through a competitive process to conduct the evaluation between April 2005 and March 2006. The methodology for the study included a telephone survey with a representative national sample of past and current borrowers (N = 353) from 26 of the 46 WtW sites about their engagement in the WtW program and its impact upon their lives, paired with an online survey of the senior loan coordinators, to provide current data about local program elements that could account for some of the positive outcomes reported by borrowers. Additional information about program implementation was collected through document reviews, administrative data, and interviews with local office staff and successful borrowers in various parts of the country.

Impact of the *Ways to Work* loan Program on Borrowers' Outcomes

The evaluation looked at three different types of borrower outcomes: 1) impact of participation in the WtW program on borrower employment, education, and quality of life, 2) impact of program participation on the borrowers' involvement with the financial market, including their use of bank accounts and their ability to obtain additional loans from mainstream lenders, and 3) impact of program participation on the borrowers' income and utilization of government cash assistance programs, such as Temporary Assistance for Needy Families (TANF). The following paragraphs summarize the most important borrower outcomes of this evaluation.

Most borrowers reported that the car purchased with the WtW loan was very helpful in maintaining and improving employment circumstances.
Eighty-six percent (86%) reported that the car allowed them to keep the job they already had when they purchased the car; 82% said the car allowed them to decrease lateness or days missed from work; and 15% said the car allowed them to reduce the number of jobs they had. Over half of all those surveyed reported that having the car allowed them to have secondary jobs for additional income, or get jobs with more responsibility or that were more accessible and convenient.

The car purchased with the WtW loan helped roughly half of the borrowers obtain education or training.
For many the car allowed them to get to their educational programs on time and reduce lateness to class. Others reported the car made it possible for them to complete a program they had already started.

A majority of borrowers reported that the WtW car helped them improve their quality of life. Almost all borrowers said the car allowed them to spend more time with their families and have more time for themselves. Over half of the borrowers interviewed agreed that the car helped them do more volunteer work and dedicate more time to their education.

A majority of survey participants reported that the WtW car had allowed them to provide better care for their children in a variety of ways. These included taking them to medical appointments, getting them to school on time, taking them to after school activities, and having access to better quality child care arrangements.

Participation in the WtW car loan program had positive outcomes in terms of borrowers' involvement in the financial market. Two-thirds (67%) of all borrowers initiated a new account (checking, savings, credit card) or obtained a new loan since receiving their WtW car purchase loan.

Post-loan reported income of WtW borrowers was higher than their income at the time they obtained the loan. Almost three-quarters (72%) of borrowers reported having net monthly income that is higher than their net monthly income at the time they obtained their loan. The average net monthly income of borrowers *before the loan* was $992, totaling $11,904 annually. The average net monthly income of borrowers *after the loan* (in the fall of 2005 when the survey was administered) was $1,276, totaling $15,312 annually. The observed changes in income cannot be directly tied to respondents' participation in the WtW program, but the fact that they coincide with it, suggests that the car purchased with the loan may have had a positive impact on earnings.

Survey analysis showed that of the 150 borrowers who received cash assistance before they obtained the WtW loan, 87% were not receiving it after they paid off the loan. This may be a result of the fact that having a car can help someone get a job or a better paying job that may lessen dependence on, or eligibility for, public assistance. It also may be due to their TANF benefits or other public assistance benefits expiring.

Effective Program Elements

The evaluation identified some important practices that are associated with the positive outcomes at the program and borrower levels. The next paragraphs highlight the most salient ones.

The relationship between loan coordinator and the borrower seems to be the key determining factor tied to successful program completion (i.e., loan repayment) and low default rates among the local program offices. At the individual borrower level, paying off the loan means they have managed to stick to a budget and make regular payments, which in turn may lead to an improved credit history and better chances of getting additional loans to purchase better cars or even think about home ownership.

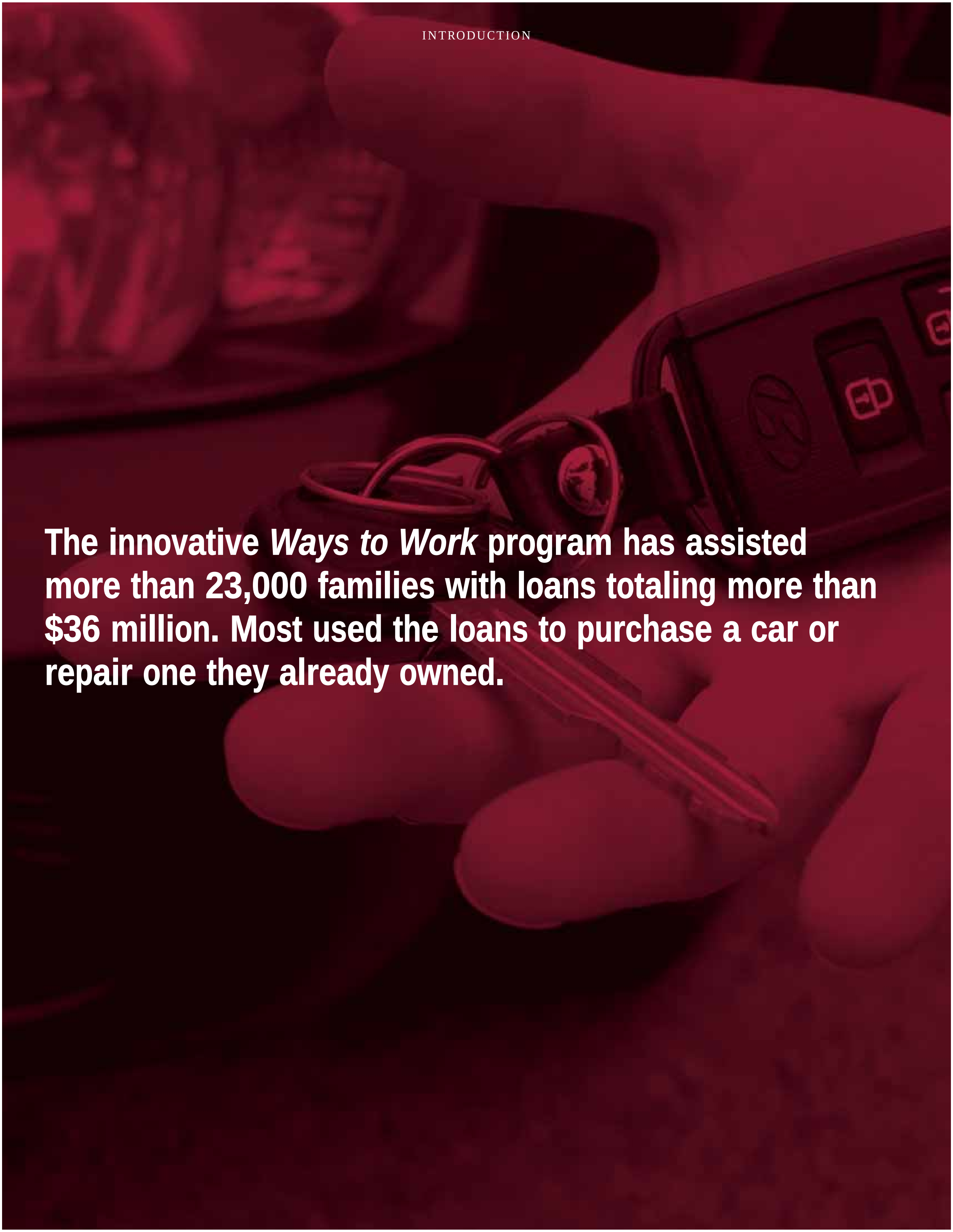
Trust and high expectations about borrower's success are the two elements of the borrower-coordinator relationship that were given the highest weight by loan coordinators and borrowers alike. When borrowers trust their loan coordinators, they see them as allies who are not to be let down. Not surprisingly, an overwhelming majority of borrowers said they were very satisfied with the assistance they had obtained from the WtW program, outside of the car loan. For their part, loan coordinators worked with borrowers to build their capacity to succeed and to meet loan repayment expectations. Coordinators who had successful clients agreed that the key to this success is what they call "tough love", a mixture of discipline and high expectations, and a caring attitude toward the program participant.

The capacity of experienced loan coordinators to select successful borrowers plays an important role. Effective loan coordinators spend a lot of time conducting intensive borrower screening, and assessing the character of the applicant before presenting the case to their loan committee. The local offices where the loan committee gives greater weight to recommendations of the loan coordinator in terms of loan approval had lower default rates than the local offices where the recommendations of the loan coordinator were not ranked as high on a list of criterion valued by the loan committee.

Participation in financial literacy education contributes to successful outcomes for WtW program participants. Borrowers made a clear connection between the financial knowledge gained through their involvement in the program and their ability to pay back their loan, stabilize their family's economic situation, and avoid future debt. Formal approaches, such as required participation in credit counseling classes, reinforced the informal education provided by loan coordinators working closely with borrowers on budgeting and saving issues.

Conclusions

The results of quantitative and qualitative data collected for this evaluation have shown that overall, the WtW program is an effective program providing a stepping stone for low-income families to improve their economic circumstances and their quality of life. It is important to note that although the program has an economic impact on participants who gain stability by avoiding job loss and obtaining opportunities for job advancement and better pay, the majority of these families still have incomes that place them slightly below the poverty level. The borrowers' perceptions of the program's impact, however, is that it affords them a stability they could not have enjoyed if they did not have a reliable car, and by bringing some order into their lives, opens up the possibility of further improving their financial situation in the future.



The innovative *Ways to Work* program has assisted more than 23,000 families with loans totaling more than $36 million. Most used the loans to purchase a car or repair one they already owned.

BRIEF OVERVIEW OF THE *WAYS TO WORK* PROGRAM

WtW is a unique federally certified Community Development Financial Institution (CDFI) based in Milwaukee, Wisconsin. Through a network of loan offices across the country, the WtW program provides small, short-term, low-interest loans to working poor families with challenging credit histories. The program sees itself as *"an alternative to predatory lenders for people with a demonstrated commitment to achieving increased self-sufficiency and intent on pursuing a higher degree of success in mainstream financial markets."*

Over the past two decades, WtW has grown from a relatively small program funded exclusively by the McKnight Foundation to one that operates in approximately 50 locations across two dozen states, with varied philanthropic and government funding sources.

All the loan offices are hosted within member agencies of the Alliance for Children and Families, a national nonprofit organization representing more than 350 child and family serving organizations. This ensures that WtW borrowers have ready access to a wide variety of services that help them be successful with their loan.

A majority of WtW loans are used to help individuals remain in or move forward in their job, although some offices also provide loans to people who are pursuing an education that will lead to better jobs. The vast majority of loans are made for the purchase of modestly priced used vehicles. The local offices typically partner with the local banking community to administer the loans, which borrowers are required to repay within two years.

BRIEF OVERVIEW OF THE *WAYS TO WORK* PROGRAM

Local offices provide and/or refer borrowers for financial literacy education. Staff also typically assist borrowers in other ways, including searching for reliable cars, teaching them about car maintenance and referring them to other services. The national WtW office transfers proprietary knowledge and resources to the local offices, similar to a franchise-type of relationship. National office staff help local providers develop and maintain high-quality programs by providing technical assistance for program development, fundraising, marketing and administration, as well as access to loan capital.

GOALS AND METHODS OF THE NATIONAL EVALUATION

EVALUATION GOALS

- ACCESS PROGRAM IMPACT ON BORROWERS
- IDENTIFY MOST EFFECTIVE PROGRAM ELEMENTS
- IMPROVE PROGRAM IMPLEMENTATION AND IDENTIFY BEST PRACTICES
- INFORM THOSE WHO HAVE INVESTED, AND WILL INVEST, OF THE PROGRAM'S EFFECTIVENESS

Despite the implicit importance of the WtW loan program and although an admirable amount of work has gone into defining WtW's goals, desired outcomes, and measurable indicators of success, prior evaluations of WtW[1] have been challenged by the task of gathering meaningful data about a program that is implemented with variations at approximately 50 sites around the country. The uniqueness of local models, the technical limitations of the data management software developed for the program, and the inconsistent responses of local programs to the time-consuming task of collecting and reporting on outcomes left WtW without compelling data to determine whether the program adequately met program or borrower goals in the past and how to improve the program's impact in the future.

To help make a research-backed case for the effectiveness of its car loan program, the national WtW office issued a Request for Proposals for a national evaluation in 2005. Guided by a research advisory group, the national office established a set of specific goals for this evaluation. The OMG Center for Collaborative Learning (OMG) was selected through a competitive process to conduct the evaluation within 18 months.

The proposed OMG evaluation sought, for the first time, to obtain more explicit information from two key sources:

a) a national sample of borrowers, focusing on the impact of the program; and
b) a comprehensive survey of the senior loan coordinators, focusing on local implementation approaches.

WtW funds a variety of loans for the purpose of helping low-income parents stay in school or keep a job, such as loans for the purchase of uniforms or tools. However, the vast majority of loans funded by the program are for car purchases. This evaluation focused only on car-purchase loans.

1"THE EVOLUTION OF OUTCOMES IN WTW", THOMAS LENGYEL, ALLIANCE FOR CHILDREN AND FAMILIES, MAY 2000; "WTW INTERIM OUTCOME EVALUATION", THOMAS LENGYEL, ALLIANCE FOR CHILDREN AND FAMILIES, SUMMER 2001; WTW OUTCOME EVALUATION REPORT", THOMAS LENGYEL AND LAURA PINSONEAULT, ALLIANCE FOR CHILDREN AND FAMILIES, JANUARY 2004.

GOALS AND METHODS OF THE NATIONAL EVALUATION

The evaluation design included six steps:

1. A series of in-depth interviews with WtW's founders, developers, leaders, and national office staff, to develop a firm understanding of both the program and the underlying assumptions about WtW's likely impacts;

2. A review of key national office documents and an analysis of national program data, both to determine site-specific program outcomes and to help frame the most fruitful lines of inquiry to be pursued throughout the remaining evaluation activities;

3. Telephone interviews with a representative national sample of borrowers (N = 353) about their engagement in the WtW program and its impact upon their lives. The telephone interview information was paired with program data about the borrowers;

4. An online survey of the senior loan coordinators, to provide current data about local program elements;

5. A thorough analysis of the data collected through the two surveys and the program's administrative data to determine the association of individual program elements to both program and borrower outcomes, and thus identify effective program elements; and

6. Site visits, including staff and borrower interviews, to selected local programs to gain a deeper and more grounded understanding of the program and borrower impacts of the WtW initiative.

REPORT OVERVIEW

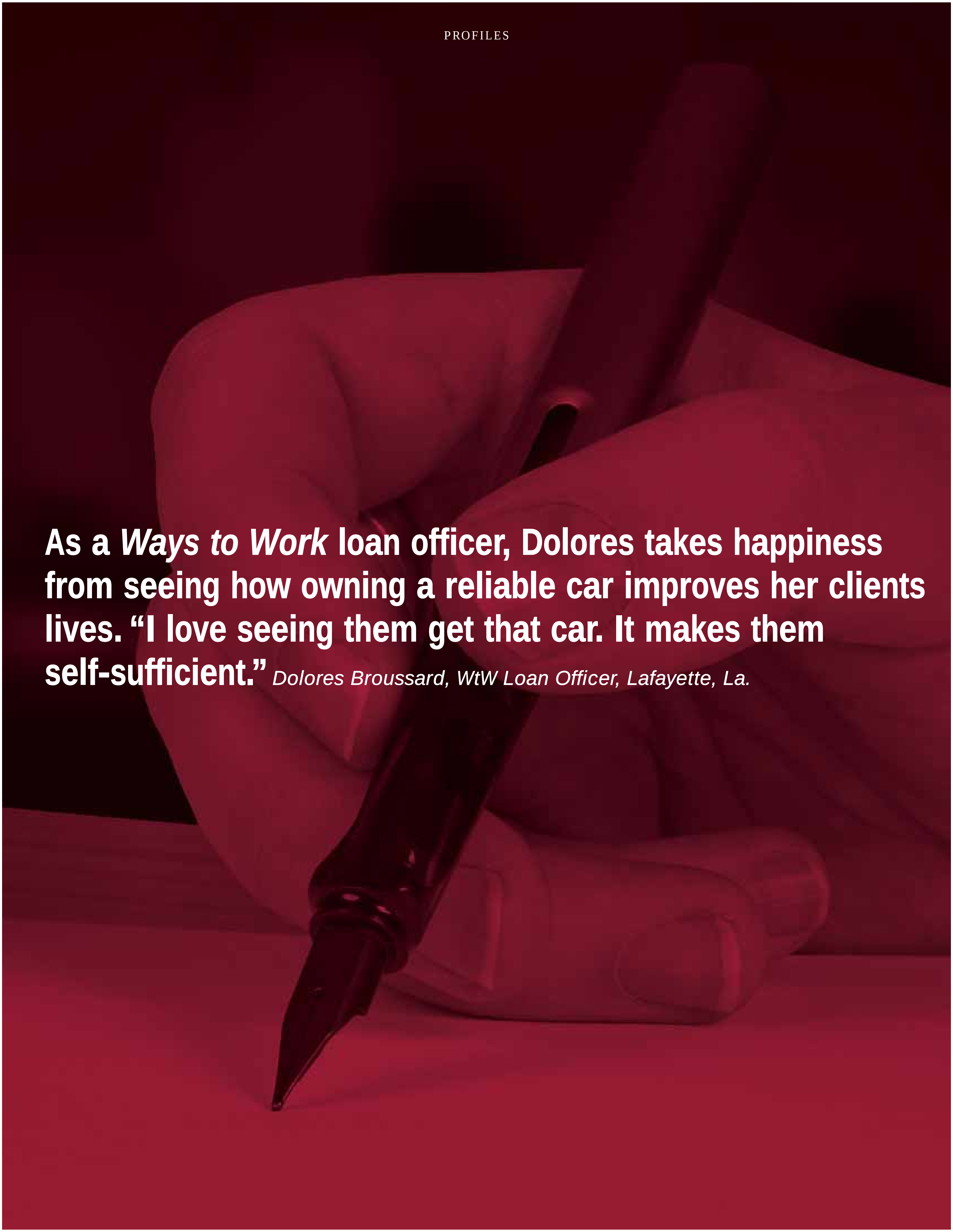
This report is divided into five sections. Following this introductory section, the second section presents a profile of the local WtW program sites and of the WtW borrowers. The site profile provides a portrait of the sites in terms of size, age, budget and location. The borrower profile describes the demographics of the borrowers, the status of their loans and the status of the vehicles that they purchased through the loans.

The third section of the report presents the findings of the evaluation in two areas:

1) findings about borrower outcomes and
2) findings about site practices.

The fourth section of the report describes measures and barriers to success according to the sites' perspectives.

Finally, the fifth section provides conclusions based on the findings. Appendix A outlines the evaluation methodology and Appendix B lists the hypotheses tested through the analysis. Appendix C includes two borrower case studies based upon testimonials collected through the site visits to local programs.



As a *Ways to Work* loan officer, Dolores takes happiness from seeing how owning a reliable car improves her clients lives. "I love seeing them get that car. It makes them self-sufficient." *Dolores Broussard, WtW Loan Officer, Lafayette, La.*

PROFILE OF THE LOCAL OFFICES

In the fall of 2005 OMG conducted an online survey of senior loan coordinators to gather data from the local WtW sites. Almost all of the currently operating WtW programs participated in the survey. The handful of sites that did not participate were temporarily without staff (most programs have only one or two staff members, leaving little backup in case of staff turnover) or on hiatus due to funding constraints.

This section focuses on the 46 program offices that *did* complete the survey, and it draws on that survey data, as well as supplemental administrative data obtained from the national office, to present a portrait of the WtW sites. The typical WtW program consists of one or two staff members, is based in a larger social-service agency, and may be found in any region of the U.S., including rural, suburban, and urban communities. Unless otherwise noted, the percentages in this chapter reflect questions for which all of the 46 program offices submitted an answer.[2]

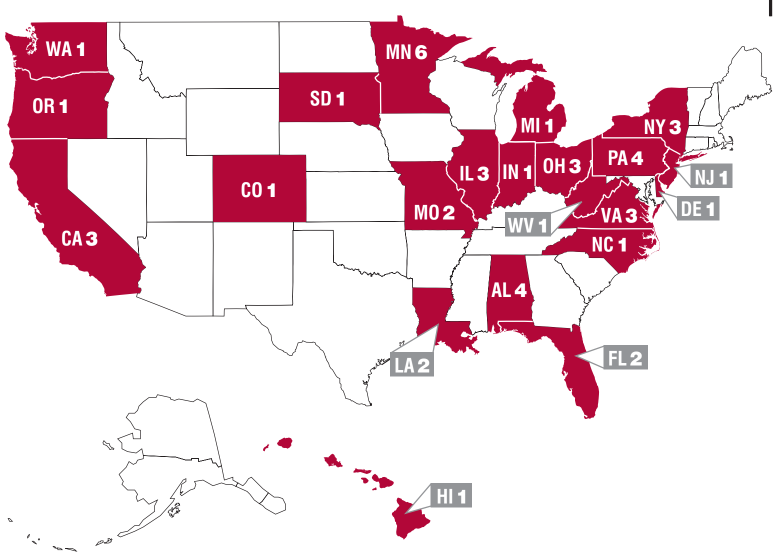
2 PLEASE NOTE THAT PERCENTAGES MAY NOT TOTAL TO 100 DUE TO ROUNDING.

PROFILE OF THE LOCAL OFFICES

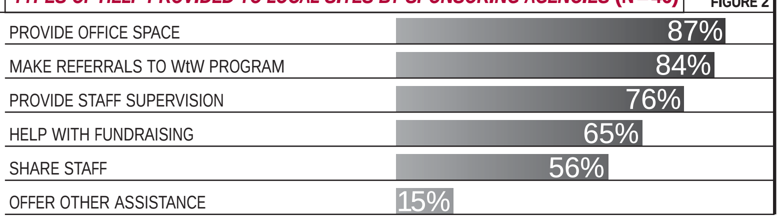
Location

The WtW program offices are spread out around the country. As depicted in the following map (Figure 1), there are currently WtW programs in 22 states covering all geographic regions of the country. The map depicts the number of offices operating in each state. We asked the sites to estimate what percent of their borrowers reside in urban, suburban and rural communities. Almost half of the offices (44%) serve predominantly urban communities.[3] Seventeen percent of the sites serve predominantly suburban communities and 13% of the sites serve predominantly rural communities. The other 26% of the sites serve borrowers from a mix of urban, suburban, or rural communities.

MAP OF PROGRAM OFFICES FIGURE 1



TYPES OF HELP PROVIDED TO LOCAL SITES BY SPONSORING AGENCIES (N=46) FIGURE 2



Host Agency for *Ways to Work* Programs

All of the WtW programs are members of the Alliance for Children and Families. Eighty percent are housed in large nonprofit agencies serving children and families. The remaining 20% are within other types of agencies, such as the YWCA. In many cases, the parent or sponsoring agency provides support to the WtW program. For example, 87% of sponsoring agencies provide office space, and three-quarters (76%) provide staff supervision. Over half of sponsoring agencies, 56%, share staff (such as administrative support) with the WtW program (Figure 2).

A very high percentage of sponsoring agencies (84%) refer clients to WtW. However, the volume of these referrals is not necessarily high; local offices reported that 12% of all borrowers are referred by the sponsoring agency. In return, approximately 70% offices reported that their parent agency takes referrals from them.

About two-thirds of sponsoring agencies (65%) help their local WtW program with fundraising. We did not ask local offices to describe the type of fundraising help in their survey responses. Finally, 15% of local offices reported that their sponsoring agency offers some other kind of assistance, such as fiscal oversight.

3 WE USE "PREDOMINATELY" TO MEAN THAT THE SITE ESTIMATES THAT 2/3 OR MORE OF THEIR BORROWERS RESIDE IN THE SPECIFIED COMMUNITY TYPE (URBAN, SUBURBAN OR RURAL).

Age of Sites

One-third of the sites have been in existence for more than five years, while 24% have been operating for between two and five years, and the remaining 43% were launched in the past 24 months. Because this report is a snapshot in time, it does not include those sites that may temporarily be on hiatus or were otherwise not active at the time of this study.

Operating Budgets

According to WtW national office records, the average local site has annual operating expenses of approximately $120,000, including the annual replenishment of the default fund. This number reflects costs to *administer* the program and does not include other expenditures such as the loans themselves. While there is variation among larger and smaller sites, this number is nevertheless a useful illustration of the financial resources available to sites to operate their programs.

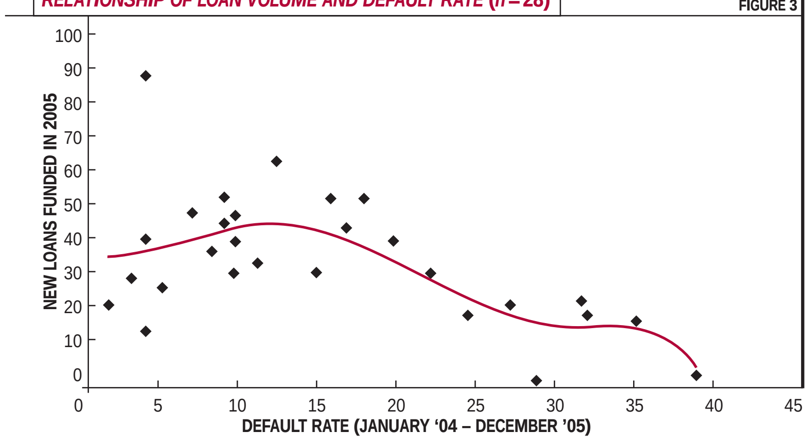
Loan Volume

Loan volume ranges greatly. In 2005, the lowest-volume site funded two new loans while the highest-volume site funded 86 new loans. The loan volume of the other sites ranged between 11 loans and 65 loans. Approximately one-third of all sites (34%) made more than 44 loans. Another 36% made between 27 and 41 loans, and the final 30% made fewer than 23 loans.

Default Rates

The 24 month default rate (for the January 2004 through December 2005 period) ranged from a low of 1.1% to a high of 38.8% with an average default rate of 14.7%.[4] This meets the WtW National Office target default rate of 15%. The median default rate—the rate with as many sites below it as above it—was 11.6%. One-quarter of the sites had default rates of 5.2% or lower, the next quarter had default rates between 5.3% and 11.6%, the next group of sites ranged in their default rates from 11.7% to 23.5% and the remaining quarter of the sites had default rates greater than 23.5%. There is a significant inverse relationship between the volume of new loans funded by a site in 2005 and their default rates for 2004 to 2005.[5] A two-year period of default rates is used as loans are granted for two year terms. Sites that funded a greater volume of loans were also the sites that had lower default rates. This relationship is depicted in Figure 3. One possible reason for this is that these sites may have a higher capacity in terms of staff skills and resources and are therefore better equipped to both handle a higher loan volume as well as maintain a lower default rate. This is an interesting question that should be explored further in any future study.

RELATIONSHIP OF LOAN VOLUME AND DEFAULT RATE ($n=28$) FIGURE 3



4 THESE DEFAULT RATES ARE FOR THE 29 SITES FOR WHO WERE OPERATING THE ENTIRE 24-MONTH PERIOD AND WHO REPORTED COMPLETE DATA TO THE WTW NATIONAL OFFICE. 5 ALL RESULTS REPORTED AS SIGNIFICANT IN THIS REPORT ARE STATISCALLY SIGNNIFICANT AT THE .05 LEVEL.

PROFILE OF BORROWERS

WTW BORROWER ELIGIBILTY CRITERIA

- HAVE NO OTHER SOURCE FOR A LOAN
- BE EMPLOYED AT LEAST 20 HOURS A WEEK, AND WITH SIX MONTHS CONSECUTIVE EMPLOYMENT OR BE IN AN ACCREDITED SCHOOL OR TRAINING PROGRAM (GED, LIFE SKILLS EXCLUDED)
- INVOLVED PARENT OF A DEPENDENT CHILD OR CHILDREN
- RESIDENT OF SERVICE AREA
- HOUSEHOLD INCOME NO GREATER THAN 80% OF THE AREA'S MEDIAN INCOME

The WtW program mandates across all sites minimum criteria for borrower eligibility for the loans (see side bar). Sites may go beyond these criteria to further narrow the pool of eligible applicants, but at a minimum the eligibility requirements are to be followed by all sites.

Socio-demographics

From the borrower survey, we developed a profile of the WtW borrowers. Of the 353 people in the borrower sample, the overwhelming majority (92%) was female; two thirds of them were single, and 22% were divorced, separated, or widowed. Seventy percent (70%) of respondents had fewer than three children. Sixty percent (60%) of the borrowers in the sample were African American, 14% were white, 6% were Latino, and the remaining 20% were of another race or ethnic group or their race/ethnicity was not known.

Almost half of borrowers in our sample had more than a high school education, 40% had copleted high school or obtained a GED, and 10% had not completed a secondary education. From an age perspective, the sample was a mature group, with close to 70% of respondents above the age of 30 (Figure 4).

***AGE OF BORROWER* (N=353)** FIGURE 4

LESS THAN 25	9%
AGES 26–30	21%
AGES 31–40	39%
MORE THAN 40	31%

***AGE OF LOAN* (N=353)** FIGURE 5

LESS THAN 12 MONTHS	16%
12–23 MONTHS	31%
24–35 MONTHS	24%
MORE THAN 35 MONTHS	29%

Ways to Work Participation

In terms of their WtW participation status, 49% of borrowers interviewed were "active," meaning they were still in the process of repaying their loans; 48% had successfully paid off their loans; and 3% had defaulted.[6] Sixteen percent (16%) of respondents had had loans for less than a year, while just under a third of respondents had loans between 12 and 24 months old, another 24% had loans between two and three years old, and 29% had loans older than three years. (See Figure 5.) Close to half of the loans fell between the $3,000 and $3,500 range; 37% were for less than $3,000, and only 15% were for over $3,500. WtW has a national program cap of $4,000 per car purchase loan. This cap was increased over time from $2,500 to $3,000 and then to $4,000. Not all programs have chosen to increase their local cap to the $4,000 level due to the risks associated with larger loans.

6 DEFAULTED CLIENTS ARE CLIENTS WHO DID NOT COMPLETE THE PAYMENTS DUE ON THEIR LOAN. THEREFORE THE LOAN WAS WRITTEN OFF FOR LACK OF COMPLETE PAYMENT WHEN IT WAS CLOSED OUT. THE LOAN MAY HAVE BEEN LARGELY PAID BUT NOT PAID IN FULL BEFORE CLOSURE. THE DEFAULT RATE (% OF BORROWERS WHO DID NOT COMPLETE THE PAYMENTS DUE) NATIONALLY ACROSS ALL SITES OPERATING PROGRAMS AT ANY POINT OVER THE SAME TIME PERIOD (2001 THROUGH 2004) WAS 23%. THE DIFFERENCE IN THE DEFAULT RATES BETWEEN THE SAMPLE AND THE COMPLETE SET OF PROGRAM SITES IS DISCUSSED FURTHER IN THE SAMPLING SECTION OF THE METHODOLOGY IN APPENDIX A. **7** SOME BORROWERS WHO ARE NO LONGER DRIVING THE CAR PURCHASED WITH THE WTW LOAN MAY HAVE ACQUIRED CARS THROUGH OTHER MEANS SUBSEQUENT TO THE VEHICLE PURCHASED WITH THE WTW LOAN ENDING ITS SERVICE LIFE.

PROFILE OF BORROWERS

The borrower survey revealed that a majority of active borrowers were still driving the WtW car. This did not prove to be the case for borrowers with loans older than three years; only 50 percent of those were still driving the WtW car at the time of the survey (Figure 6).[7]

The viability of the car is also related to the amount of the loan. Loans awarded for car purchases can be for any amount up to a maximum of $4,000. They typically range between $2,000 and $4,000. Our analysis demonstrates that borrowers with loans under $3,000 are less likely to still be driving the car than borrowers with loans above $3,000. At the time of the survey, 61% of borrowers were still driving cars purchased with loans for under $3,000, 75% of borrowers were still driving cars purchased with loans between $3,000 and $3,500, and 93% of borrowers were still driving cars purchased with loans for over $3,500 (Figure 7).

BORROWERS STILL DRIVING CAR PURCHASED WITH WtW LOAN (N=353) FIGURE 6

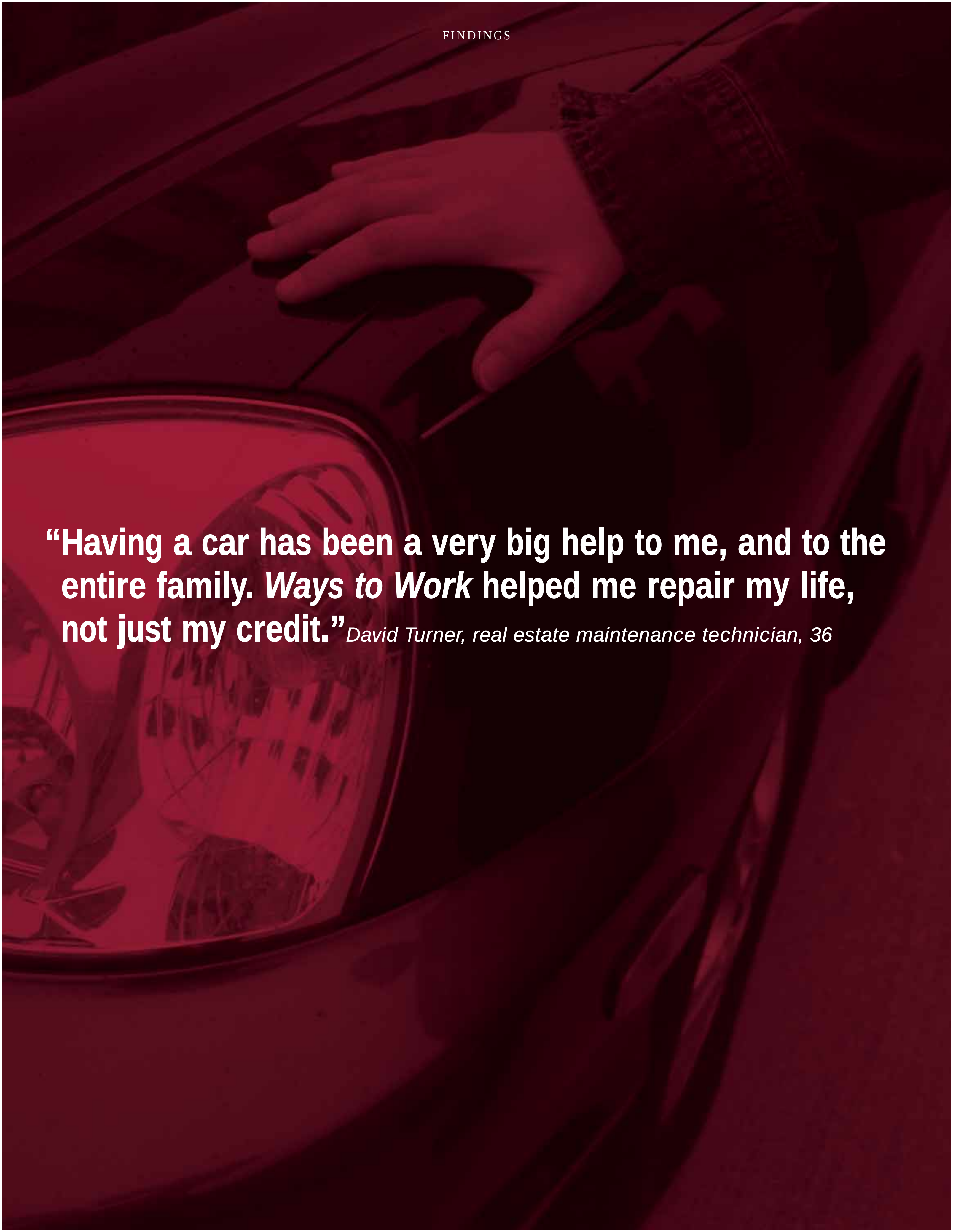
LESS THAN 12 MONTHS SINCE LOAN ISSUE	96%
12–23 MONTHS SINCE LOAN ISSUE	89%
24–35 MONTHS SINCE LOAN ISSUE	64%
MORE THAN 35 MONTHS SINCE LOAN ISSUE	50%

BORROWERS STILL DRIVING CAR PURCHASED WITH WtW LOAN (N=353) FIGURE 7

LOAN AMOUNT LESS THAN $3,000	61%
LOAN AMOUNT $3,000–$3,500	75%
LOAN AMOUNT MORE THAN $3,500	93%

TYPICAL BORROWER

- AFRICAN AMERICAN FEMALE
- SINGLE WITH FEWER THAN 3 CHILDREN
- MORE THAN A HIGH SCHOOL EDUCATION
- ABOVE AGE 30



"Having a car has been a very big help to me, and to the entire family. *Ways to Work* helped me repair my life, not just my credit." *David Turner, real estate maintenance technician, 36*

FINDINGS ABOUT BORROWER OUTCOMES

One of the primary purposes of WtW is to bring about positive changes in the lives of borrowers. In order to answer questions about the impact of the WtW program on borrower outcomes, we developed and tested a series of hypotheses based on what we learned from our early interviews with representatives from the national WtW office and with local program representatives. To review the hypotheses please refer to Appendix B.

In this section we discuss the findings related to three sets of hypotheses.[8] The first group refers to the impact of participation in the WtW program on borrower employment, education, and quality of life. The second group relates to impact of program participation on the borrowers' involvement with the financial market, including their use of bank accounts and their ability to obtain additional loans from mainstream lenders. The data collected to test these first two sets of hypotheses was derived from questions that asked the borrowers directly about the impact of the car that they purchased through the loan on the relevant outcomes.

The third group of hypotheses explores the potential contributions of program participation on the borrowers' income and utilization of government cash assistance programs, such as Temporary Assistance for Needy Families (TANF).[9] This third group of hypotheses does not test a direct impact of the program because our survey only asked for information on income and reliance on cash assistance before and after participation in WtW. We did not ask the borrowers if any income and cash assistance changes were directly related to having a car purchased with the WtW loan. Multiple variables can account for changes in income (e.g., interruptions in work due to illness, being laid off, having a child). Thus, we can only report *what* changes occurred. We cannot make a direct connection between program participation and these outcomes, as we can with the first two groups of hypotheses.

8 THESE FINDINGS ARE ONLY DESCRIBED WHERE THEY ARE STATISTICALLY SIGNIFICANT. **9** CASH ASSISTANCE WAS DEFINED TO THE BORROWERS RESPONDING TO THE SURVEY AS "CASH ASSISTANCE FROM THE WELFARE OFFICE."

FINDINGS ABOUT BORROWER OUTCOMES

Employment, Education and Quality of Life

HYPOTHESIS 1

HAVING A WTW CAR WILL HELP BORROWERS IMPROVE THEIR EMPLOYMENT CIRCUMSTANCES

- KEEP A JOB
- DECREASE LATENESS OR DAYS MISSED FROM WORK
- CUT BACK ON THE NUMBER OF JOBS ONE HAS
- GET A JOB
- GET A JOB WITH MORE RESPONSIBILITY OR HIGHER PAY
- GET A JOB WITH BETTER HOURS OR AT A MORE CONVENIENT LOCATION
- MAKE IT POSSIBLE TO HOLD MORE THAN ONE JOB

Most borrowers reported that the car purchased with the WtW loan was very helpful in maintaining and improving employment circumstances. Eighty-six percent reported that the car allowed them to keep the job they already had when they purchased the car; 82% said the car allowed them to decrease lateness or days missed from work; and 15% said the car allowed them to reduce the number of jobs they had.

DID CAR HELP BORROWERS IMPROVE EMPLOYMENT? **(N=353)**

FIGURE 8

MADE MULTIPLE JOBS POSSIBLE	59%
FOUND MORE RESPONSIBILITY OR HIGHER PAY	55%
BETTER HOURS OR LOCATION	53%
FOUND JOB	30%

One of the borrowers interviewed by OMG described the difficulties she faced getting to work before she bought a car through WtW: *"(Before I got the car) I was leaving the house at 12 to get to work at 3:15. I had to take three to four buses to drop my daughter off and then get to work. Sometimes I missed work altogether, every day I was late. Now it is so easy! I leave the house at 2:30, I drop off my daughter, and go to work."*

Over half of all those surveyed reported that having the car allowed them to have secondary jobs for additional income, or get jobs with more responsibility or which were more accessible and convenient (Figure 8). When asked how helpful the car was in achieving each of these outcomes, at least 95% of borrowers responded that the car was very helpful (i.e., on a scale of 1 to 4).

During one of OMG's site visits to a WtW program in the Midwest, we were told the story of a WtW participant who was a very responsible and highly esteemed worker at a local supermarket. His boss wanted to promote him, but that would have required going to work at another store and he did not have a car to get there. His supervisor contacted the WtW program on behalf of his employee and offered to be his guarantor on the loan. The employee got the loan and purchased a car, and as a result, he was able to take the job and move up a rung on his career ladder.

HYPOTHESIS 2

HAVING A WTW CAR WILL HELP BORROWERS IMPROVE THEIR EDUCATION

- START AN EDUCATION OR JOB TRAINING PROGRAM
- STAY IN AN EDUCATION OR JOB TRAINING PROGRAM IN WHICH THEY WERE ALREADY ENROLLED
- COMPLETE AN EDUCATION OR JOB TRAINING PROGRAM
- DECREASE LATENESS OR DAYS MISSED FROM THE EDUCATION OR JOB TRAINING PROGRAM
- GET TO THE EDUCATIONAL INSTITUTION OR JOB TRAINING PROGRAM SITE FASTER

The car purchased with the WtW loan helped roughly half of the borrowers obtain education or training. Over 60% of all respondents said the car had decreased lateness or days missed from their education or job training programs; 53% said thanks to the car, they had been able to stay in an education or job training program; and 44% stated that they had been able to complete their education or job training.

When asked how helpful the car was in achieving each of these outcomes, at least 96% of borrowers responded that the car was *very helpful* (a 4 on a scale of 1 to 4). Borrowers reporting positive education and training outcomes tended to be younger and single. A young woman interviewed for this evaluation described the crucial role of having dependable transportation to pursue educational opportunities that would lead to better paying jobs: *"I was a medical assistant at the heart hospital. I just started school to become an RN; they get paid even more [than medical assistants]. I have an hour commute to school now, that is why I had to get another car."*

FINDINGS ABOUT BORROWER OUTCOMES

A majority of borrowers reported that the WtW car helped them improve their quality of life (Figure 9). Eighty-nine percent (89%) of all borrowers reported experiencing improvements in three or more quality of life outcomes; 49% reported five or more. Single and divorced/separated borrowers were more likely than married/cohabitating borrowers to say that the car helped them have more time do other things. In our interviews with borrowers across the country, we heard over and over how the car purchased with the WtW loan improved family life.

Typical comments included: *"I can now spend more time with my kids and take them where they need to go"; "There is less stress in my life"; "Having a car makes things easier: shopping, buying groceries…"; "I have a lot more energy"; "when there is an emergency with my kids, I can get to them fast."*

HYPOTHESIS 3

HAVING A WTW CAR WILL HELP BORROWERS SPEND MORE TIME

- WITH FAMILY AND FRIENDS
- DOING WORK AROUND THE HOUSE, SUCH AS CHORES, YARD WORK OR HOME REPAIR
- DOING VOLUNTEER WORK
- HAVING QUALITY TIME FOR SELF FOR ACTIVITIES LIKE WATCHING TV, EXCERCISING OR SLEEPING LATE
- STUDYING FOR A DEGREE OR DOING JOB-RELATED EDUCATION OR TRAINING
- DOING OTHER ACTIVITIES NOT MENTIONED

***DID LOAN HELP BORROWERS IMPROVE QUALITY OF LIFE?* (N=353)**

FIGURE 9

TIME WITH FAMILY AND FRIENDS	95%
QUALITY TIME FOR SELF	86%
DOING WORK AROUND THE HOUSE	80%
STUDYING FOR DEGREE/TRAINING	61%
VOLUNTEER WORK	52%
CHURCH, VACATION AND OTHER	54%

A majority of survey participants reported that the WtW car had allowed them to provide better care for their children in a variety of ways (Figure 10). Almost all borrowers (94%) reported experiencing three or more of the outcomes pertaining to care for children, and 13% reported experiencing all five. The most common outcomes cited by borrowers under "other impact" were taking the children on social outings, taking the children shopping for food or clothing and taking the children to church functions.

HYPOTHESIS 4

HAVING THE WTW CAR WILL HELP BORROWERS IMPROVE THE CARE OF THEIR CHILDREN

- MAKE SURE THAT CHILD/CHILDREN GET TO SCHOOL ON TIME
- PUT CHILD IN MORE SATISFACTORY DAY CARE SITUATION
- TAKE CHILD/CHILDREN TO ACTIVITIES OUTSIDE OF SCHOOL
- TAKE CHILD/CHILDREN TO MEDICAL APPOINTMENTS

***DID CAR HELP BORROWERS CARE FOR THEIR CHILDREN?* (N=353)**

FIGURE 10

TAKE THEM TO MEDICAL APPOINTMENTS	98%
TAKE THEM TO ACTIVITIES OUTSIDE OF SCHOOL	96%
MAKE SURE THEY GET TO SCHOOL ON TIME	92%
PUT THEM IN MORE SATISFACTORY DAY CARE	78%
OTHER IMPACT	28%

FINDINGS ABOUT BORROWER OUTCOMES

HYPOTHESIS 1

HAVING A WTW LOAN WILL ENCOURAGE BORROWERS TO ENGAGE IN THE FINANCIAL MARKET

- OPEN CHECKING AND SAVINGS ACCOUNT
- APPLY FOR NEW LOANS
- CONTINUE BANKING WITH THEIR WTW BANK

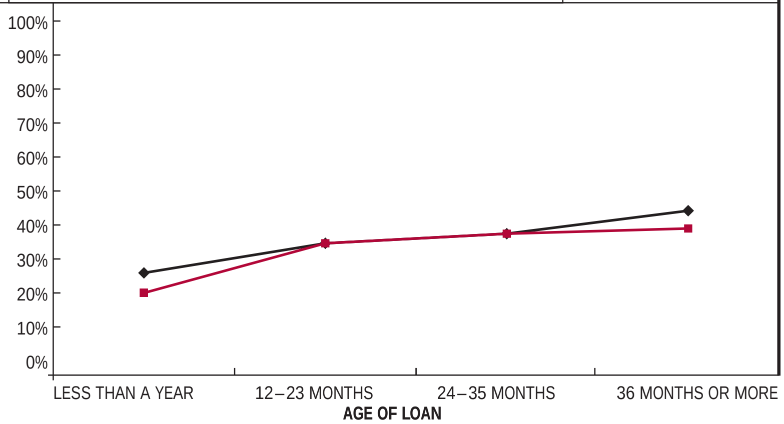
Involvement in the Financial Market

Two-thirds (67%) of all borrowers initiated a new account (checking, savings, credit card) or obtained a new loan since receiving their WtW car purchase loan. Thirty-nine percent (39%) of the borrowers opened a checking account, and 35% opened a savings account since getting the loan. Borrowers with paid-off loans were more likely than active borrowers to have initiated new bank accounts. Younger borrowers (less than 25 years old) are less likely than borrowers ages 26 to 30 to have initiated new bank accounts. Borrowers with more than a high school education were more likely than those who did not graduate from high school to have initiated new bank accounts.

While only 20% of borrowers with loans less than a year old opened a savings account, twice as many had opened that type of account three years after receipt of the loan. A similar pattern applies to checking accounts (Figure 11).

BORROWERS WHO OPENED A CHECKING OR SAVINGS ACCOUNT SINCE THE LOAN BY AGE OF LOAN **(N=353)**

FIGURE 11



Of those new loans received by borrowers after their WtW loan, 18% were from the bank through which they received their WtW car loan, 47% were from another bank or a credit union, and 35% (28 loans) were from another source.[10] Two of the most often cited reasons for applying for new loans were: purchasing another car, and paying bills. Thirty-two percent (32%) of those who got a new loan used it to buy another car, and 22% of those who got another loan used it to pay bills. Some borrowers credit their participation in the program with being able to obtain home loans. We obtained testimony from a WtW borrower in Pennsylvania who told us: *"Since I paid off the car, the bank called me to talk about home ownership and now I am going to do it. It was thanks to WtW because I paid off their loan."*

The survey revealed that most borrowers are *not* continuing to bank with the bank from which they received their WtW loan. Of *all* borrowers, only 10 percent opened a checking account with their WtW loan bank, 8% opened a savings account, and 4% received a new loan. Of *the borrowers who opened new accounts*, 26% opened a checking account with their WtW loan bank, 23% opened a savings account, and 18% received a loan from their WtW loan bank. The survey did not capture information as to why borrowers are not patronizing the banks that provided their WtW loans. This is an interesting question that should be explored further in future studies.

10 OF THESE, 15 WERE FROM SOURCES THAT ARE LIKELY TO HAVE HAD INTEREST RATES HIGHER THAN THE MARKET RATE; 4 FROM LOAN AGENCIES AND 11 FROM FINANCE AGENCIES.

FINDINGS ABOUT BORROWER OUTCOMES

Increased Income and Decreased Reliance on Cash Assistance

As we mentioned earlier, the findings in this section regarding changes in income and reliance on cash assistance *cannot be conclusively attributed* to borrowers' participation in the WtW program. These findings are based on data describing borrowers' income and cash assistance receipt before and after they received a car loan. However, the data upon which these findings are based do not describe any relationships between receipt of the car loan and the changes in income or cash assistance. The changes in income and cash assistance could be due to a myriad of other factors that may have occurred in the time that lapsed before receipt of the loan and after receipt of the loan.

Nevertheless, a majority of borrowers interviewed for this evaluation did say that the WtW car helped them get a job or improve their education, both of which can play a role in increasing a person's income, therefore reducing their reliance on public assistance. As we saw a significant increase in income among borrowers following their purchase of the car, it is possible that car ownership contributes to improved economic outcomes for those who receive WtW loans.

Almost three-quarters (72%) of borrowers reported having net monthly income that is higher than their net monthly income at the time they obtained their loan. The average net monthly income of borrowers before the loan was $992, totaling $11,904 annually.[11] The average net monthly income of borrowers after the loan (in the fall of 2005 when the survey was administered) is $1,276, totaling $15,312 annually. The average borrower's income after the car loan is slightly below the federal poverty guidelines, whereas the average borrower's income at the time the loan was issued was significantly below the federal poverty guidelines. In 2005, the federal poverty guidelines for a family of three was $16,090.[12]

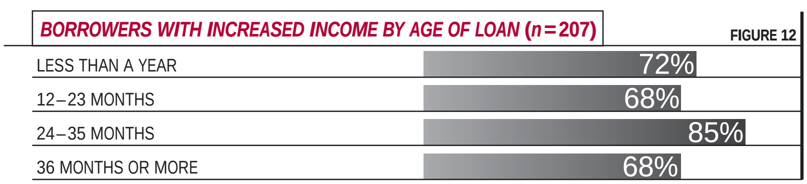
Further income analysis shows a 41% average increase from the time of loan issue to the present day across all of the borrowers (i.e., $284/month or $3,400/year). The average increase is skewed high by almost one quarter of the borrowers experiencing a change in income of $575/month or more, which could be due to the attainment of employment for borrowers who qualified for the loan due to their status as a full-time student or due to a change from part-time to full-time status between the pre- and post-loan income.

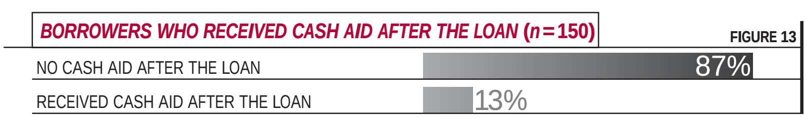
11 THIS NET MONTHLY INCOME IS BASED ON BORROWERS' REPORTED EARNINGS THROUGH PAYCHECKS OR THROUGH CASH. THE PRE- AND POST- LOAN INCOMES REPORTED HERE DO NOT ACCOUNT FOR LOAN PAYMENTS OR THE RECEIPT OF CASH AID OR OTHER TYPES OF ASSISTANCE. **12** THE FEDERAL POVERTY GUIDELINES UPDATED PERIODICALLY IN THE FEDERAL REGISTER BY THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES UNDER THE AUTHORITY OF 42 U.S.C. 9902(2). THESE GUIDELINES ARE USED TO DETERMINE FINANCIAL ELIGIBILITY FOR CERTAIN FEDERAL PROGRAMS. THEY ARE NOT CONSIDERED TO BE EITHER GROSS OR NET INCOME OR BEFORE-TAX OR AFTER-TAX. AS STATED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES "WHEN DETERMINING PROGRAM ELIGIBILITY, SOME AGENCIES COMPARE TAX-INCOME TO THE POVERTY GUIDELINES, WHILE OTHER AGENCIES COMPARE AFTER-TAX INCOME. LIKEWISE, ELIGIBILITY CAN BE DEPENDANT ON GROSS INCOME, NET INCOME OR SOME OTHER MEASURE OF INCOME."

FINDINGS ABOUT BORROWER OUTCOMES

For the 72% of borrowers who saw their income rise between the date of loan issue and the current day, the average increase was 66% (i.e., $528/month or $6,336/year). For the 28% of borrowers who saw their income fall between the date of loan issue and the present, the average decrease was 22% (i.e., $336/month or $4,032/year).

Finally, the survey data suggest that the closer borrowers are to having completed their loan term, the more likely they are to have income that is higher than when they received their loan. As time passes, the likelihood of having higher income declines but remains high. Among borrowers whose loans are between two and three years old, 85% had income that was higher then it was prior to loan receipt. Among borrowers whose loans are three years old or greater, 68% had income that was higher then it was prior to loan receipt (Figure 12).





Survey analysis showed that of the 150 borrowers who received cash assistance[13] before they obtained the WtW loan, 87% were not receiving it after they paid off the loan (Figure 13). This may be a result of the fact that having a car can help someone get a job or a better paying job that may lessen dependence on, or eligibility for, public assistance. It also may be due to their TANF benefits or other public assistance benefits expiring.

When borrowers receive cash assistance after having obtained a WtW loan it is likely that they do not receive assistance until at least three years after the WtW loan is awarded. Our analysis demonstrated that borrowers with loans that are 36 months old or older were more likely to have received cash assistance since getting the loan than borrowers with loans 12 to 35 months old. There were 26 borrowers who said that they have received cash assistance since getting the loan. Of the 26, 16 have loans that are 36 months old or older. This is consistent with the above finding that as time passes after loan receipt, the likelihood of having higher income than before the loan declines but remains high. In sum, changes in income and receipt of cash assistance between the pre- and post- loan economic life of borrowers are positive but decline slightly as more time passes since the borrower's receipt of the loan.

13 CASH ASSISTANCE WAS DEFINED TO THE BORROWERS RESPONDING TO THE SURVEY AS "CASH ASSISTANCE FROM THE WELFARE OFFICE."

FINDINGS ABOUT LOCAL OFFICES' PRACTICES

This section discusses the operations at the local offices. The data in this section are based on the responses of the senior loan coordinators to the online survey administered in the fall of 2005.[14] Where there are significant relationships between differences in program operations and differences in borrower outcomes, they are described in this section.[15] Analyses were conducted to test for these differences based on a series of hypotheses generated by the evaluation team and the WtW staff regarding how site practices may impact borrower outcomes. The list of hypotheses tested and the results for each are included in Appendix B.

Staffing and Time Allocation

Through the online survey, we obtained information about sites' staffing in terms of the number of full-time equivalent (FTE) staff persons, the positions held, and the use of staff time both at the management level and by all staff across various components of programming.

Relation of Program FTEs to Site Loan Volume[16]

Forty percent (40%) of WtW sites have 1 or fewer FTE staff. Another 27% have between 1.1 and 2 FTE, and the final third (33%) have more than 2 FTEs. Not surprisingly, our analysis revealed a relationship between the site's staffing and its loan volume. A majority (9 of 13) of the lowest-volume sites (i.e., between 2 and 22 loans) had 1 or fewer FTE staff. These sites also made up more than half (9 of 17) of *all* of the sites that had 1 or fewer FTE. Given the spectrum of tasks involved in making a successful loan — recruiting, processing, and overseeing repayment — it is not surprising that the lowest-volume sites have an average of 1.3 FTE staff while the highest-volume (i.e., sites made between 44 and 86 loans in 2005) have an average of 1.7 FTEs.

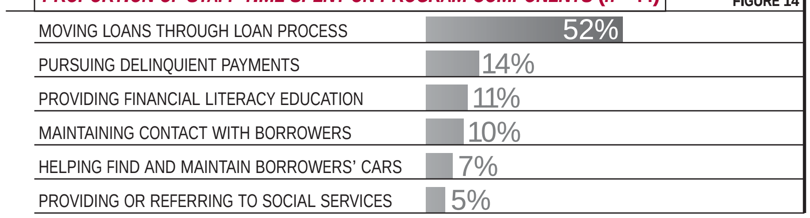
Use of Senior Loan Coordinator Time[17]

Senior loan coordinators spend an average of 62% of their time providing direct services to borrowers and managing their loan portfolios. The average amount of time spent on program administration and management is 22%; this includes recruiting bank partners, recruiting volunteers for the loan committee, fund-raising, bookkeeping and staff human resources. The remainder of their time, an average of 16%, is spent on non-WtW program activities.

Use of All Staff Time[18]

We asked sites to break down the amount of time that their staff spend on the specific components of providing direct services to borrowers and managing their loan portfolios.On average, sites reported that the loan production process is the area where they spend the most amount of their time, as compared to the other areas listed (Figure 14). Sites report that their staff spend an average of 52% of their time on the loan production process. The remainder of their time is divided fairly evenly among providing financial literacy education, maintaining contact with borrowers to ensure regular payment, and pursuing payment from delinquent borrowers, with a limited amount of time devoted to helping borrowers to find and maintain cars, and provision of or referral to social services.

PROPORTION OF STAFF TIME SPENT ON PROGRAM COMPONENTS (*n*=44) FIGURE 14

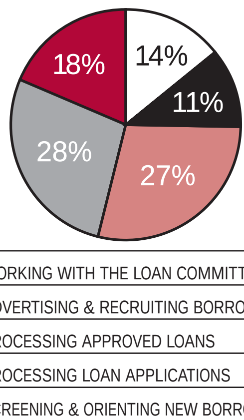


14 FORTY-SIX SITES COMPLETED THE SURVEY. THE HANDFUL OF SITES THAT DID NOT PARTICIPATE WERE TEMPORARILY WITHOUT STAFF (MOST PROGRAMS HAVE ONLY ONE OR TWO STAFF MEMBERS, LEAVING LITTLE BACKUP IN CASE OF STAFF TURNOVER) OR ON HIATUS DUE TO FUNDING CONSTRAINTS. UNLESS OTHERWISE NOTED, THE PERCENTAGES IN THIS CHAPTER REFLECT QUESTIONS FOR WHICH ALL OF THE 46 SITES SUBMITTED AN ANSWER. PLEASE NOTE THAT PERCENTAGES MAY NOT TOTAL TO 100 DUE TO ROUNDING. **15** THESE RELATIONSHIPS ARE ONLY DESCRIBED WHERE THEY ARE STATISTICALLY SIGNIFICANT. **16** 45 OF 46 SITES PROVIDED DATA FOR THIS SECTION. **17** 44 OF THE 46 SITES RESPONDED TO QUESTIONS ON HOW THEY ALLOCATED THEIR STAFF TIME. **18** 44 OF 46 SITES PROVIDED DATA ON STAFF TIME ALLOCATION.

FINDINGS ABOUT LOCAL OFFICES' PRACTICES

AVERAGE PROPORTION OF STAFF TIME SPENT ON EACH COMPONENT OF THE LOAN PROCESS (n=43)

FIGURE 15



Time in Loan Production

We asked sites to break down the time that they spend on the loan production process into subcategories (Figure 15). In response, the sites reported that on average they spend 14% of that time on advertising and recruitment for WtW.[19] More than a quarter of their time (28%) is spent on borrower screening and orientation, an activity to which some sites told us they purposely devote extra resources because they believe that rigorous up-front screening reduces later defaults. Sites report that on average another 27% of their loan-production time is spent on processing loan applications, 11% working with the loan committee, and 18% on processing approved loans.

The amount of time that sites spend on certain components of the loan production process varies by the volume of loans that a site funds. We found that there is a significant relationship between carrying a lower volume of loans and spending a greater portion of staff time on advertising and recruitment.[20] There is also a significant relationship between lower volume sites and sites that spend a greater proportion of their time working with the loan committee. On the flip side, there is a significant relationship between higher volume sites and sites that spend more time on the processing loan applications (Table 1).

AVERAGE PERCENTAGE OF STAFF TIME SPENT (OUT OF TOTAL STAFF TIME SPENT ON LOAN PRODUCTION)

TABLE 1

	LOWER VOLUME SITES	HIGHER VOLUME SITES
ADVERTISING AND RECRUITMENT	17%	8%
WORKING WITH LOAN COMMMITTEE	12%	9%
PROCESSING LOAN APPLICANTS	23%	33%

Referral Sources

Borrowers come to the WtW program through a number of avenues. The most frequent source of referral is through word-of-mouth, as borrowers share information about the program with friends and family.[21] More than a third (36%) of WtW referrals occur in this manner, and the number is even higher at some sites. In interviews, borrowers repeatedly confirmed their pride and pleasure in sharing news of the program with others. One confided that she purposely restricts her referrals to people she feels will be successful borrowers who won't "abuse" the WtW system, and thus she serves as a self-appointed pre-screener for the local loan coordinator. Several other borrowers told us that they carry WtW flyers with them to share with others.

A quarter (25%) of referrals come through social service agencies, and an additional 12% come from the WtW site's own sponsoring agency. These sources of referrals were ones where the utilization varied by the loan volume of the sites. We found that lower volume sites are more likely to get at least one-third of their referrals from their sponsoring agency as compared to higher volume sites. The average volume of sites that get at least one-third of referrals from the sponsoring agency was 20 new loans a year as compared to an average volume of 35 new loans for sites that do not get at least one-third of their referrals from the sponsoring agency. Across all sites, fifteen percent (15%) of borrowers arrive at the program via advertising, which can include flyers distributed to community organizations such as churches, or government agencies such as public-assistance offices. The remainder of referrals comes through area banks, employers and employment offices, and educational organizations.

19 ALL PERCENTAGES IN THIS PARAGRAPH REFER TO THE MEAN, OR AVERAGE, ANSWER. FORTY-THREE (43) OF 46 SITES RESPONDED TO THE QUESTIONS IN THIS PARAGRAPH. **20** THE FORTY-ONE SITES FOR WHOM WE HAD DATA ON BOTH LOAN VOLUME IN 2005 AND ANSWERS TO THE SURVEY QUESTION ON THE PERCENTAGES OF TIME SPENT, WERE DIVIDED INTO LOWER AND HIGHER VOLUME SITES DOWN THE MIDDLE WITH LOWER VOLUME SITES RANGING IN VOLUME FROM 2 TO 30 AND HIGHER VOLUME SITES RANGING FROM 31 YO 86. THE AVERAGE LOAN VOLUME ACROSS THE SITES IN 2005 WAS 34.5. **21** 45 OF 46 SITES PROVIDED INFORMATION ABOUT THEIR REFERRAL SOURCES.

FINDINGS ABOUT LOCAL OFFICES' PRACTICES

Lending Partners and Their Roles

On our survey, 41 of 46 local offices provided data regarding their lending partners.[22] Sites may have one or more lending partners, and those partners can be banks or credit unions. Of the 40 sites that work with banks, most (76%) said that they worked with only one bank. Of the seven sites that worked with credit unions,12% reported partnering with one credit union, and 5% with two or more credit unions.

The degree to which the lending partner(s) are involved in the administration of the program varied among sites. Almost 40% reported that their lending partner "provides financial support" to the WtW program. This support may be given as a direct grant, or more indirectly. For example, one site indicated that their lending partner foregoes the interest on the WtW loans, allowing the interest revenue rate to accrue to the local site for use in the program.

It is a standard expectation that the lending partner will serve on the site's loan committee that reviews the applications of potential borrowers. The level of involvement of the lending partner on these committees varies. Nineteen percent of sites reported that their lending partner is "not very involved," 26% reported that the lending partner is "somewhat involved" and 55% of sites said that their lending partner is "very involved" in the loan committee.

Lending partners play other roles in support of the WtW program. For some sites, these supports are critical because they free time to focus on the relationship with borrowers. A senior loan coordinator interviewed by OMG commented: *"Operating a program from A to Z takes more time than operating a program from A to M and then passing steps N to Z to a banking partner after the loan is approved."* Most sites (88%) reported that their lending partner(s) remind borrowers of loan due dates.[23] Only one site reported that their lending partner offered borrowers financial incentives for repayment. Close to one-quarter (27%) of sites say that their lending partner provides financial literacy services to borrowers, and 14% said that their lending partner provides other unspecified services to borrowers.

A majority of sites (78%) reported that their lending partners "encourage" borrowers to open bank accounts. Ironically, we found that borrowers from sites who reported that their lending partners encouraged borrowers to open a checking or savings account were less likely to have opened a savings account after getting the loan than borrowers from sites whose lending partners did not encourage borrowers to open accounts. Thirty-two percent (32%) of borrowers from sites whose lending partner encouraged borrowers to open checking or savings accounts opened a savings account after getting the loan as compared to 44% of borrowers from sites whose lending partner did not encourage the opening of accounts.[24] On the other hand, of those borrowers who did open savings accounts after getting the loan, the borrowers who were from sites with lending partners who encourage borrowers to open checking or savings accounts were more likely to have opened a savings account with the bank from which they received their WtW loan (Table 2).[25]

TABLE 2

	% OF ALL BORROWERS WHO OPEN A SAVINGS ACCOUNT	% OF BORROWERS WHO OPENED ACCOUNT WHERE LOAN WAS RECEIVED
SITE TYPE 1: LENDING PARTNER ENCOURAGES BORROWERS TO OPEN AN ACCOUNT	32%	30%
SITE TYPE 2: LENDING PARTNER DOES NOT ENCOURAGE BORROWERS TO OPEN AN ACCOUNT	44%	11%

22 THE FIVE AGENCIES THAT DID NOT RESPOND ARE LOCATED IN MINNESOTA AND DO NOT USE A LENDING PARTNER. **23** THE FACT THAT THE LENDING PARTNER SENDS OUT PAST-DUE NOTICES DOES NOT PRECLUDE THE SITE FROM ALSO SENDING OUT ITS OWN NOTICES, OR MAKING CALLS TO DELINQUENT BORROWERS. **24** THE ASSOCIATION BETWEEN THE LIKELIHOOD OF OPENING A SAVINGS ACCOUNT AND WHETHER A LENDING PARTNER ENCOURAGES BANKING IS STATISTICALLY SIGNIFICANT. THERE IS NOT A STATISTICALLY SIGNIFICANT RELATIONSHIP BETWEEN THE ENCOURAGEMENT OF BANKING AND WHETHER OR NOT BORROWERS OPENED A CHECKING ACCOUNT AFTER GETTING THEIR WTW LOAN. **25** AMONG BORROWERS WHO OPEN A SAVINGS ACCOUTN AFTER GETTING THE LOAN, THE ASSOCIATION BETWEEN THE LIKELIHOOD OF OPENING THE SAVINGS ACCOUNT AT THE BANK FROM WHICH THEY RECEIVED THEIR WTW LOAN AND WHETHER A LENDING PARTNER ENCOURAGES BANKING IS STATISTICALLY SIGNIFICANT. THIS IS NOT STATISTICALLY SIGNIFICANT FOR CHECKING ACCOUNTS.

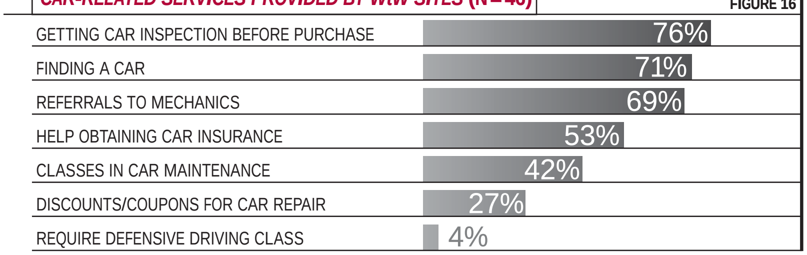
FINDINGS ABOUT LOCAL OFFICES' PRACTICES

TABLE 3

ELEMENTS THAT THE LOAN COMMITTEE CONSIDERS IN DETERMINING LOAN APPROVAL	SITES SELECTING EACH AS THE 1ST, 2ND OR 3RD MOST IMPORTANT TO THEIR LOAN COMMITTEE: MOST IMPORTANT	2ND MOST IMPORTANT	3RD MOST IMPORTANT
OVERALL FINANCIAL STATUS OF APPLICANT	51%	24%	12%
RECOMMENDATIONS OF LOAN COORDINATOR	20%	16%	33%
CHARACTER OF APPLICANT	11%	16%	7%
DEBT HISTORY OF APPLICANT	7%	20%	26%
EMPLOYMENT STATUS OF APPLICANT	2%	20%	19%
CREDIT SCORE	2%	2%	0%
RECOMMENDATION FROM OTHERS	2%	0%	0%

***CAR-RELATED SERVICES PROVIDED BY WtW SITES* (N=46)**

FIGURE 16



Loan Committee Priorities

WtW sites' loan committees consider a variety of factors when deciding whether to approve a loan. We asked sites to rank the three most important factors, using a list generated through our initial research and interviews.[26] Almost all the sites (87%) chose the *overall financial status of the applicant* as one of the three most important factors considered by the loan committee. More than two-thirds (69%) cited *the recommendation of the local* WtW *loan coordinator* as one of the top three factors, and one-third (34%) emphasized *the character of the applicant* (Table 3).

Finally, our data analysis revealed a very interesting association between factors that influence the loan committees' decisions and the default rate of the site. Sites whose loan committees consider the recommendations of the loan coordinator to be the first or second most important criterion for determining loan approval are significantly more likely to have had lower default rates in 2005 than the sites whose loan committees do not consider the recommendations of the loan coordinator to be the first or second most important criterion for determining loan approval. The average default rate for the 20 sites that do not consider the loan coordinator's recommendations to be the first or second most important factor is 15.9% as compared to an average default rate of 6.3% for the seven sites that do consider the coordinator's recommendations to be the first or second most important factor.[27]

26 45 OF 46 SITES RESPONDING TO THE SURVEY ANSWERED THIS QUESTION. **27** THE TEST OF THIS DIFFERENCE IN MEANS WAS LIMITED TO THE 27 SITES WHO RESPONDED TO THE SURVEY AND FOR WHOM 2005 DEFAULT RATES ARE AVAILABLE (MANY SITES WERE NOT YET OPEN FOR TWO YEARS AND THEREFORE DID NOT HAVE A FULL DEFAULT RATE).

FINDINGS ABOUT LOCAL OFFICES' PRACTICES

Car-related Services

WtW sites provide a variety of automobile-related services to their borrowers once they have been approved for loans (Figure 16).[28] Three-quarters of sites help borrowers find a mechanic to inspect the car before purchase, and 42% offer classes in car maintenance. For some borrowers, this service is very important. These figures are especially notable because we heard many times from both borrowers and WtW staff that finding a $3,000 used car in genuinely good condition can be very difficult. In addition, sites also offer referrals to mechanics, and discounts and/or coupons for car maintenance. Finally, just over half of sites (53%) report that they assist borrowers in obtaining affordable car insurance. For example, one site mentioned that it had established a relationship with AAA and regularly sends borrowers there to obtain car insurance at a lower cost than other providers.

Non Car-related Services

WtW sites also provide borrower services unrelated to car purchase and maintenance.[29] A site may offer services in-house, may refer borrowers out to receive those services elsewhere, or may provide a combination of in house and referral services. Alternatively, sites may simply not offer a service. In some cases, when a site reported that they provide a service in-house, they may have been referring to services provided by the family service agency within which they are located.

Credit Repair and Financial Literacy

Over two-thirds (69%) of sites provide direct assistance with credit repair and restoration, and 69% also refer borrowers to other agencies for these services, while 2% (1 agency) do not provide any kind of assistance or referral for credit restoration. Almost all (91%) sites offer borrowers some sort of financial literacy education, and 38% offer referrals to other sources of financial literacy education. Regardless of the specific source, all sites are mandated by the WtW national office to provide borrowers with a connection to financial literacy services. However, the financial literacy education that is offered varies greatly in terms of who provides it, how it is provided, the duration and frequency with which a client receives it and the focus of the content offered.

We asked sites whether they provide financial literacy education in any of the three primary ways: 1) formally by WtW staff, 2) informally by WtW staff (i.e. as part of a loan interview or through counseling over time), and 3) as a referral to other agencies or institutions. For each of these three approaches, we asked sites to tell us 1) if borrowers' participation was mandatory or voluntary, 2) the typical number of hours of classes or counseling per borrower, and 3) the estimated percent of borrowers who participated (Table 4).

TABLE 4

APPROACHES TO AND DURATION OF FINANCIAL LITERACY PROVISION	SITES OFFERING DIFFERENT TYPES AND AMOUNTS OF FINANCIAL LITERACY		
	FORMALLY BY WtW STAFF	INFORMALLY BY WtW STAFF	THROUGH REFERRAL TO OTHER AGENCIES
MANDATORY	72%	61%	27%
VOLUNTARY	21%	36%	71%
< 1 HOUR	27%	67%	37%
2 HOURS	35%	23%	37%
> 2 HOURS	38%	10%	26%

28 45 OF 46 SITES RESPONDED TO THE QUESTIONS IN THIS SECTION. 29 45 OF 46 AGENCIES RESPONDED TO THE QUESTIONS IN THIS SECTION.

FINDINGS ABOUT LOCAL OFFICES' PRACTICES

BORROWER TESTIMONIAL

"I have high debt due to legal bills involving custody and visitation, plus I didn't work for a while. I have an MBA in finance, so it's not like I don't know how to add and subtract. But, it was the loan coordinator saying "Do you really need to buy this?" that helped me really stop and think when I'm in a store, about impulse buying."

We found that most sites provide financial literacy education internally in a formal manner on a mandatory basis while also providing it informally to the majority of their borrowers. Slightly over one-quarter of the sites mandate client participation in financial literacy that is provided through referral to other institutions. When financial literacy education is provided internally on a formal basis or through referral, the majority of borrowers receive two hours or less of counseling. When financial literacy education is provided informally by WtW staff, the majority of borrowers typically receive one hour or less of financial literacy counseling. Since many sites offer financial literacy education through both of these means, the total hours received by a borrower will reflect the time spent both in formal classes and informally through discussions.

For example, a loan coordinator interviewed for this study described a four-step process. First, the borrower must attend a group orientation where they fill out a loan application. Second, they go to an organization outside of WtW that provides a two-hour credit counseling class. In this class, they cover topics such as how to read a credit report, how to dispute an entry in the report, and so on. Third, the loan coordinator meets with the borrowers individually to go over their budgets and see where they can save some money. Finally, the coordinator prints out the borrower's credit report and together, they review it. Another site reported that they require participation in a two-an-a-half hour class prior to loan approval. The class is taught by the loan coordinator and focuses on saving for emergencies and learning to look for ways in which people can save money. Later on, the loan coordinator requires prospective borrowers to bring in all of their bills, and they review them together. A very creative site gives clients a computer disk with an Excel budget sheet to use to calculate their household budgets.

The impact of financial literacy education on borrowers has proven to be a positive one. Our analysis showed that borrowers from sites that mandate at least one hour of financial literacy education through any of the above means, (formally or informally by WtW staff or by referral) were more likely to have opened a checking account after receiving their WtW loan than borrowers from sites that do not mandate at least one hour of financial literacy. Also, we found that borrowers from sites that mandate at least one hour of financial literacy education—provided either formally by WtW staff or by referral—were more likely to have received another loan after their WtW loan than borrowers from sites that do not mandate at least one hour of financial literacy education or that mandate only informal education by WtW staff.

Case Management Services

We inquired about the provision of a range of possible services by the sites including employment and education services, life skills and family counseling, assistance with day care needs and linkages to other types of assistance such as public benefits, affordable housing and medical services. Most of the sites provide these services, often through referral to other agencies. However, the loan coordinators typically integrate case management into their approach to helping the borrowers do whatever it takes to stay on top of their payments. Several of the site staff we interviewed discussed how they view the WtW car loan within the context of a family's needs. A loan coordinator we talked to commented on how his agency tries to help families cope with loss of employment: "*We used to have better employment outcomes. They are worse this year because a large local company cut 30,000 jobs in the area and other large employers have also laid off people. It is devastating. Our refugees, we can refer downstairs because a large part of our agency's refugee services deals with employment.*" A program director told us his agency provides holistic services to families that come for help, the car loan is just one of the ways in which they try to assist families become more self-sufficient.

Table 5 shows the percent of sites that report offering each service via direct assistance and via referral to other agencies. In some instances, sites may have reported offering a service, such as day care, through direct assistance when the larger human service agency within which they are housed offers the service directly.

TABLE 5

SUPPORTS AND SERVICES		SITES OFFERING THROUGH DIRECT ASSISTANCE	SITES OFFERING THROUGH REFERRAL TO AGENCIES
EMPLOYMENT SERVICES	JOB SEARCH	16%	78%
	JOB RETENTION	11%	56%
	JOB TRAINING	4%	71%
EDUCATION (GED/COLLEGE)		2%	76%
LIFE SKILLS (GOALS/ACTION STEPS)		47%	53%
FAMILY COUNSELING		29%	64%
DAY CARE		9%	73%
ACCESS TO PUBLIC BENEFITS		18%	89%
ACCESS TO AFFORDABLE HOUSING		20%	89%
ACCESS TO MEDICAL SERVICES		4%	84%

FINDINGS ABOUT LOCAL OFFICES' PRACTICES

SOME STRATEGIES USED BY WTW PROVIDERS TO ENCOURAGE REPAYMENT:

- OFFER NO-COST THREE MONTH LOAN EXTENSIONS
- ACCEPT PARTIAL MONTHLY PAYMENTS (RATHER THAN "ALL OR NOTHING")
- HELP BORROWERS WHO BRING CASH PAYMENTS TO OBTAIN MONEY ORDERS FOR MAILING TO THE BANK
- CALL BORROWERS WHEN THEY ARE ON TIME TO SEE HOW THINGS ARE GOING
- KEEP BORROWERS COMING BACK TO WTW OFFICE SO THERE IS MONTHLY CONTACT

Ensuring Loan Repayment

Successful loan repayment is the ultimate goal of all WtW sites. Sites use a number of strategies to ensure that as many loans as possible are repaid in full (Figure 17).[30] For example, three-quarters of the sites mail payment reminders to borrowers (22% mail them to all borrowers on a regular basis; 53% mail only to delinquent borrowers). Interestingly, a higher number of sites makes phone contact with borrowers to remind them of repayment obligations (27% of sites regularly contact all borrowers; 71% call only the delinquent borrowers). Experience has shown, however, that phone calls are not always the most effective way to reach borrowers in need of payment reminders, as an increasing number of clients use Caller ID services to screen out unwanted calls.

It is in the best interest of a WtW provider to pursue loan repayment from all its borrowers since 73% of these providers assume responsibility from the bank when the borrower defaults. It is not surprising then that more than two-thirds of sites (71%) work with delinquent borrowers to renegotiate the loan payment terms. It is also important to note that several sites told us that their attempts to head off default may start significantly before the bank has defined the borrower as delinquent.

Vehicle repossession is a program standard when repayment strategies fail. Currently, 82% of local offices apply this standard. Several senior loan coordinators reported to us that the borrowers' knowledge that this threat is real is an incentive for repayment.

One-fifth of sites provide incentives to borrowers who make timely payments, such as putting money into an account for borrowers to access for car repairs. A similar percentage of sites use other strategies, such as occasional drawings for small gifts, monthly newsletters with car-repair tips, home visits, and thank-you letters for timely payment.

***HOW SITES ENSURE REPAYMENT* (N=46)**

FIGURE 17

CALL BORROWERS TO REMIND THEM TO PAY	98%
REPOSSESS THE CAR	82%
MAIL PAYMENT REMINDERS TO BORROWERS	75%
ASSUME LOAN RESPONSIBILITY UPON DEFAULT	73%
RENEGOTIATE TERMS ON DELINQUENT LOANS	71%
USE OTHER STRATEGIES	22%
PROVIDE INCENTIVES FOR TIMELY PAYMENTS	20%

30 45 OF 46 SITES RESPONDED TO THE QUESTIONS IN THIS SECTION.

National Office Support to Local Offices

The WtW national office provides local offices with a number of supports. In addition to initial training and support as they are launching their programs, sites can receive operational advice and guidance, software support, financial assistance, research data on borrower outcomes, and curriculum development assistance (for financial-literacy classes). The national office also facilitates peer-to-peer networking and learning among local offices.

In our survey, we asked local offices to select the most useful service provided by the national office. The most popular answer, selected as the top choice by more than 40% of respondents, was the provision of initial training and support. This result points towards the importance of the national office as a hothouse for emerging programs, especially given the local offices' geographic distance from each other and from other resources.

These results also reflect local offices' appreciation for sustained support after their sites have launched. Almost a quarter of respondents (22%) cited ongoing operational advice and guidance as the most useful service provided by the national office, and an additional 40% cited it as the second or third most useful service. One grateful loan coordinator told us: "I always get an answer to my questions from the national office."

The opportunity to network with peers was chosen as the most useful service by 17% of respondents, and an additional 49% chose it as the second or third most useful. In other words, two-thirds of local offices view contact with their fellow WtW affiliates as a significant and valued benefit of their association with the national program. In addition, the national office coordinates regular conference calls, as well as an annual gathering, known as the WtW Institute.

Table 6 summarizes the answers from the loan coordinator survey regarding the role of the national office.

FINDINGS ABOUT LOCAL OFFICES' PRACTICES

PEER NETWORKING

The National Office actively works to support peer networking in several ways, including through a listserv. This unmoderated, low-traffic listserv is exclusively for staff of the WtW program, and provides an easy, centralized system for sites to compare notes on outreach techniques, loan rewriting policies, and other common issues.

SITES' RANKING OF MOST USEFUL SERVICES FROM NATIONAL OFFICE TABLE 6

SERVICES (N = 46 AND 45)	MOST USEFUL	2ND MOST USEFUL	3RD MOST USEFUL
INITIAL TRAINING AND SUPPORT	41%	13%	22%
OPERATIONAL ADVICE AND GUIDANCE	22%	18%	22%
OPPORTUNITY TO NETWORK WITH PEERS	18%	27%	22%
SOFTWARE SUPPORT	13%	16%	18%
FINANCIAL ASSISTANCE	4%	16%	7%
BORROWER OUTCOME RESEARCH	2%	7%	–
FINANCIAL LITERACY CURRICULUM DEVELOPMENT ASSISTANCE	–	2%	4%
OTHER	–	2%	4%

"When I brought the car home, it was such an incredible feeling of freedom from worries." The car allowed Emma Yturralde to accept a better paying position farther from home. Soon after she paid off her loan, she and her daughter Samantha moved into a condo. *Emma Yturralde, single mother, 49*

WHAT CONSTITUTES SUCCESS?

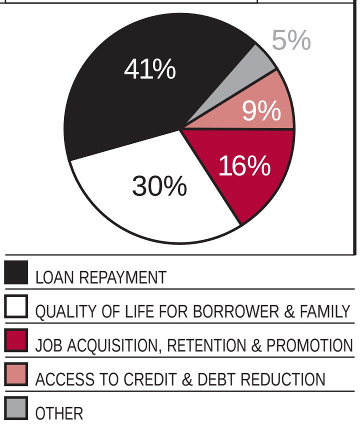
As part of the survey of loan coordinators, we included a series of questions regarding their assessment of the most desirable program outcomes and the practices that are associated with these positive results. Their answers provide an interesting perspective of how WtW programs judge their success.

Based on interviews conducted by OMG with national office staff and a selected group of site operators at the beginning of this evaluation, we developed a list of potential success measures for the WtW program. Not surprisingly, more than a third of the loan coordinators who responded to our survey (40%) selected *loan repayment* as their top success indicator. This choice is consistent with the program's approach of providing loans rather than gifts in the belief that ensuring borrower repayment of the WtW loan will improve his or her financial options in the future, and promote economic self-sufficiency.

WHAT CONSTITUTES SUCCESS?

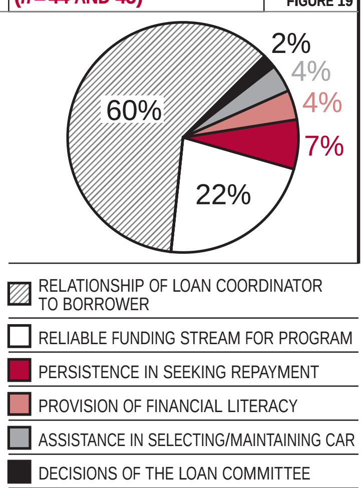
WHAT SITES SAY ARE THE MOST IMPORTANT MEASURES OF WtW SUCCESS (n=44 AND 45)

FIGURE 18



WHAT SITES SAY ARE THE MOST SIGNIFICANT FACTORS OF WtW SUCCESS (n=44 AND 45)

FIGURE 19



An additional 30% of sites selected *quality of life* for the borrower and family as the most important measure of WtW success. Job acquisition, retention, and promotion and access to credit and debt reduction were ranked as most important by 16% and 9% of respondents respectively (Figure 18).

The staff's ranking of quality of life as most important is very consistent with the borrowers' own assessment of how the program has impacted their lives,[31] including making it possible for them to spend more time with family members, reduce commuting time, transport their children to enrichment activities such as organized sports, and reduce the amount of stress in their lives. However, the fact that almost twice as many respondents considered quality of life as the most important measure compared to the number of respondents who ranked jobs and access to credit as their first choice seems to be at odds with the program's stated mission of promoting strategies to improve the financial condition of distressed families. A possible explanation for this unexpected finding may be that staffs do not see themselves as providing employment services to their clients, just as clients do not perceive WtW as an employment program. In fact, since being employed is required for those applying for a WtW car loan, most borrowers view the car as a means to help them maintain and stabilize the job they already have, rather than a means to access new jobs in the immediate future. Similarly, staff and clients alike are aware that repayment of the WtW loan is just one step toward improving the credit and reducing the debt of families that have lived with bad credit and high debt for a long time. There is a clear and direct connection; however, between having access to a car and making the types of improvements to a family's life such as the ones vividly described by the borrowers we spoke with for this evaluation.

Loan repayment and *job acquisition, retention* and *promotion* were chosen as the second most important measure of success by close to a third of the loan coordinators responding to the survey (33% and 31% respectively); *access to credit* came next with 20% of respondents selecting it as second most important, and *quality of life* came last with 16% voting for it.

Finally, *quality of life* and *access to credit* were selected as the third most important measure of success by 29% and 30% of loan coordinators respectively, followed by *job acquisition, retention and promotions* with 22% of the votes, and *loan repayment* with 18% of the loan coordinators ranking it in the third place.

31 THESE AND OTHER BORROWER OUTCOMES WERE DISCUSSED IN DETAIL IN THE PREVIOUS SECTION OF THIS REPORT.

When asked to choose the three most important factors that determine the success of a WtW *program* (rather than individual borrowers), respondents to our loan coordinator survey overwhelmingly stated that the relationship between the loan coordinator and the borrower was key (Figure 19). This finding is consistent with what we heard from multiple borrowers and WtW staff interviewed for this evaluation.When asked, outside of the loan received for the car, how satisfied they were with the assistance received from the program, 93% of borrowers said that they are very satisfied. Similarly, when asked in closing if they had additional comments they would like to add about the program, 222 of the 353 borrowers offered comments, 30% of which were positive comments about the help provided to them by the WtW program staff. One respondent to the borrower survey said: *"My loan coordinator makes me feel comfortable. When you go to ask for help you don't feel like a number. I felt like I mattered to her. She wasn't judgmental. She was always there for me, always called me back."* Another respondent had this to say about the loan coordinators: *"They support you, they don't look at you as just a person. It's like you are their friend. They help you not to depend on others."*

After the relationship of the loan coordinator to the borrower, the next most frequently cited factor accounting for program success by loan coordinators was *having a reliable funding stream for the program*. This underscores the reliance of WtW sites on external support for their operational and programmatic expenses.

Table 7 presents the second and third choices regarding factors that sites credit with contributing to the success of the WtW program.

FACTORS IN *WAYS TO WORK* PROGRAM SUCCESS

WTW STAFF TESTIMONIALS

"I try to have a relationship with borrowers, find a happy medium. I don't want to be their friend, but I don't want to be this pompous person behind a desk. They [borrowers] don't want to disappoint me."

"Building a relationship with a client creates a sense of obligation."

"She [loan coordinator] holds your feet to the fire, but she doesn't make you feel put down."

TABLE 7

FACTORS THAT SITES BELIEVE MAKE THE MOST SIGNIFICANT CONTRIBUTION TO WtW SUCCESS ($n = 45$)	SITES SELECTING EACH AS THE 2ND OR 3RD MOST IMPORTANT	
	2ND MOST IMPORTANT	3RD MOST IMPORTANT
RELATIONSHIP OF LOAN COORDINATOR TO BORROWER	26%	9%
HAVING A RELIABLE FUNDING STREAM FOR THE PROGRAM	20%	9%
PROGRAM'S PERSISTENCE IN SEEKING LOAN REPAYMENT	4%	24%
PROVISION OF FINANCIAL LITERACY SERVICES	11%	17%
ASSISTANCE IN SELECTING/MAINTAINING CAR	9%	13%
DECISIONS OF THE LOAN COMMITTEE	15%	7%
PROVISION OF/REFERRAL TO SOCIAL SERVICES	9%	9%
SUPPORT FROM NATIONAL OFFICE	7%	13%

FACTORS IN *WAYS TO WORK* PROGRAM SUCCESS

In answers to open-ended questions, WtW staff in 21 sites provided additional examples of innovative tactics used by their local WtW program that further illustrate some of the factors to which success is attributed. Three (out of 21) sites take beyond-the-norm steps to *stay in touch with borrowers*, such as sending handwritten birthday cards and notes of encouragement. One loan coordinator explained her philosophy in doing so: *"[You] let the client know that you really care about their situation so they feel comfortable talking to you when they have a problem."* Another site sends their borrower mail "Return Service Requested", so that the postal service will be sure to return it to the agency if the borrower has moved without leaving an address. *"This effort gives us a pulse on where clients are and it triggers us to call and verify,"* said the loan coordinator, who added that when a person can't be tracked down through phone calls and a skip search becomes necessary, *"The Internet is our friend."*

Four sites provide *extended financial literacy*, such as assistance in setting up Individual Development Accounts (i.e., a savings account that earns matching dollars from the government) and preparing for homeownership. Other services include free income tax filing, which provides an alternative to the high-fee tax services often offered in low-income neighborhoods, and workshops on credit-related issues. One site mentioned that their 12-hour mandatory financial literacy course was especially valuable because it *"allows for a lot of 'face time,' which we feel decreases the likelihood of defaulted loans."*

The most frequently mentioned type of service that sites said they use to increase their success, concerned *car repairs and maintenance* (listed by eight sites). Throughout our evaluation process we heard sites say that they are concerned with how to ensure that low-cost used cars do not make additional demands on borrowers due to frequent and expensive repairs. Sites told us about a variety of ways they address this issue. For example, several have obtained additional grants to defray the costs of car repairs. One site said that their grant *"helped to significantly reduce our default rate. Clients didn't have to choose between making their loan payment or having repairs done."* Other sites offer classes in automobile repair, provide a two-year warranty that includes 24-hour roadside assistance, and offer free access to Carfax (a service which uses the Vehicle Identification Number to tell a potential buyer about what damage and repairs a car has already sustained). Two sites that responded to our survey operate their own garages, allowing borrowers to return to them for low-cost, trustworthy repair services.

Three sites provide an unusual amount of *help in finding a car,* either by running their own car-donation programs or by taking extra time to help the borrower find a high-quality used car. "We feel that [assistance in finding a reliable car] is an upfront collection effort," said one loan coordinator.

Finally, two sites made special mention of their extensive referral networks, which allow them to connect borrowers with other services as necessary. These sites see WtW as one part of a longer continuum. *"WtW is a link in the chain,"* said one loan coordinator. *"We partner with organizations to provide a continuum of borrower development (job placement, retention, housing, Individual Development Accounts)."*

In the survey, loan coordinators were also asked to name the most significant barriers faced by borrowers as they attempted to move forward in their economic lives (Figure 20). Given a list of six options plus an "other" category, 44% of the sites cited *job loss* as one of the top three barriers. This finding is echoed in our other data sources. While on an individual level car ownership can often enable a borrower to keep working or improve her employment situation, on a community level several sites told us that larger economic forces challenged their borrowers' ability to progress. For example, corporate relocation and manufacturing downsizing are two factors that sites themselves cannot control, and that may affect borrowers' ability to maintain steady employment. Twenty percent of sites cited *car ceases to function prior to loan repayment* as one of the top three barriers. This finding dovetails with those discussed elsewhere in this report regarding the challenges of finding reliable used cars in the $3000 price range.

Table 8 provides a list of the second and third most important barriers to program success as identified by site representatives.

BARRIERS TO *WAYS TO WORK* BORROWERS' PROGRESS

WHAT SITES SAY ARE THE MOST IMPORTANT BARRIERS TO WtW SUCCESS (n=44 AND 45)

FIGURE 20

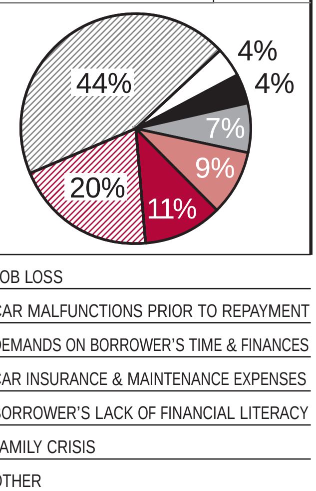
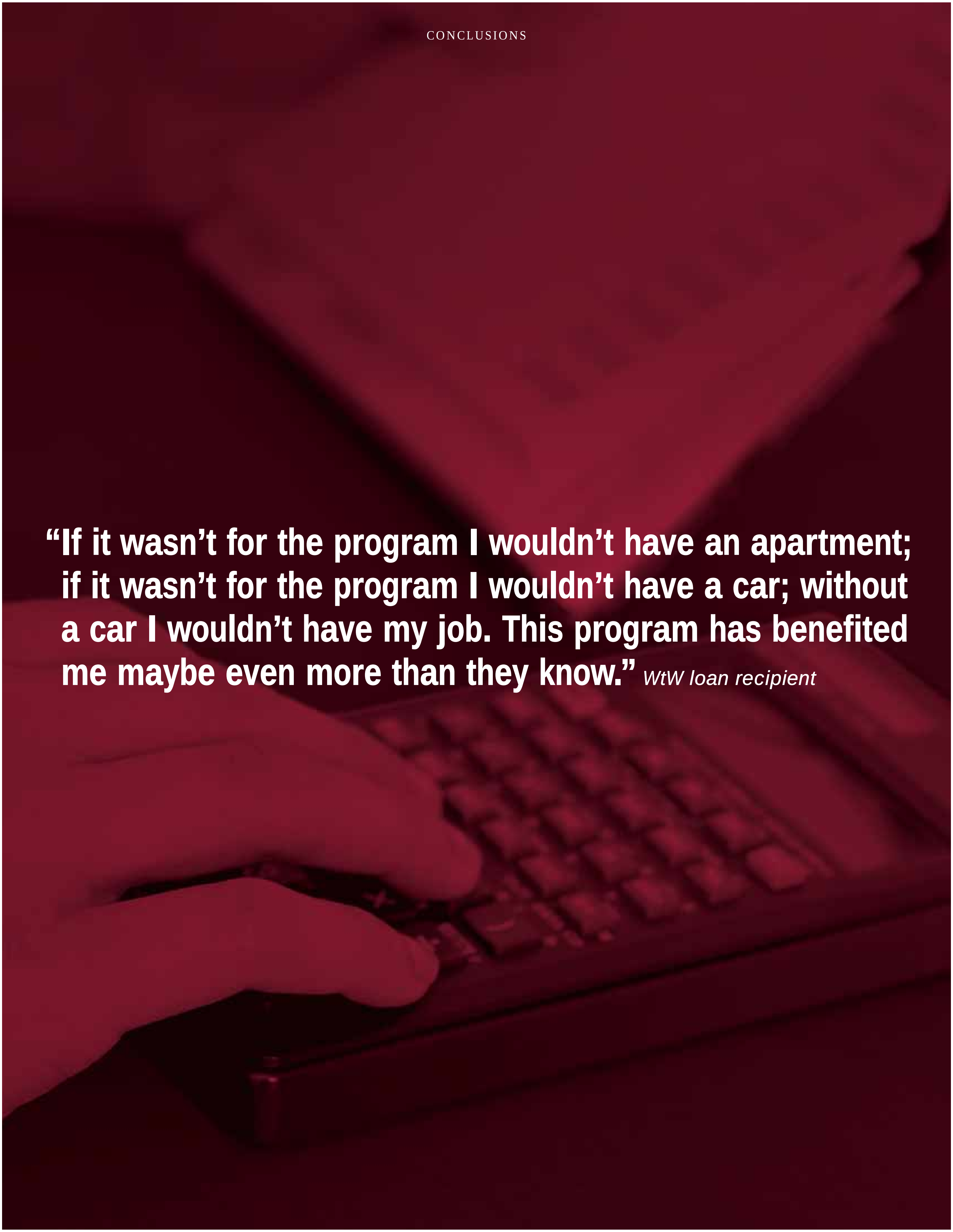


TABLE 8

BARRIERS	2ND MOST IMPORTANT	3RD MOST IMPORTANT
JOB LOSS	11%	9%
CAR CEASES TO FUNCTION PRIOR TO REPAYMENT	33%	18%
OTHER DEMANDS ON BORROWER'S TIME & FINANCES	13%	13%
CAR INSURANCE AND MAINTENANCE EXPENSES	7%	27%
BORROWER'S LACK OF FINANCIAL LITERACY	4%	9%
FAMILY CRISIS	24%	16%
OTHER	7%	7%



"If it wasn't for the program I wouldn't have an apartment; if it wasn't for the program I wouldn't have a car; without a car I wouldn't have my job. This program has benefited me maybe even more than they know." *WtW loan recipient*

WAYS TO WORK IS AN EFFECTIVE PROGRAM

Our analysis of quantitative and qualitative data collected for this evaluation has shown that overall, the WtW program is an effective program that provides a stepping stone for low income families to improve their economic circumstances and their quality of life. The program accomplishes this in several ways:

- The car purchased with the loan helps borrowers maintain or improve their employment circumstances by reducing absenteeism and lateness, opening up new job markets that are further away from their homes, and reducing family-related stressors that lead to poor job performance.
- The car obtained with the WtW loan helps borrowers pursue additional education for themselves.
- The car obtained through the loan helps borrowers have more time to spend with their families, and provide more enriching educational and recreational opportunities for their children.
- The WtW program increases borrowers' participation in the formal financial system by encouraging savings, improving chances of obtaining new loans and strengthening borrowers' credit history.
- Most borrowers experienced a significant growth in their net monthly income after receiving the loan.
- Many borrowers report increased sense of self-esteem and control over their lives, a "sense of hope" for the future.

SUCCESSFUL PROGRAM

It is important to note that although the program has an economic impact on participants who gain stability by avoiding job loss and obtaining opportunities for job advancement and better pay, the majority of these families still have incomes that place them slightly below the poverty level. The borrowers' perception of the program's impact, however, is that it affords them a stability they could not have enjoyed if they did not have a reliable car, and by bringing some order into their lives, opens up the possibility of further improving their financial situation in the future.

Our findings also identified some important practices that are associated with the positive outcomes we found at the program and borrower levels. The relationship between loan coordinator and the borrower seems to be the key determining factor tied to successful program completion (i.e., loan repayment) and low default rates among the sites. At the individual borrower level, paying off the loan means they have managed to stick to a budget and make regular payments, which in turn may lead to an improved credit history and better chances of getting additional loans to purchase better cars or even think about home ownership.

Trust and high expectations about borrower's success are the two elements of the borrower-coordinator relationship that were given the highest weight by loan coordinators and borrowers alike. When borrowers trust their loan coordinator they see them as allies who are not to be let down. Not surprisingly, an overwhelming majority of borrowers said they were very satisfied with the assistance they had obtained from the WtW program, outside of the car loan. For their part, loan coordinators work with borrowers to build their capacity to succeed and to meet loan repayment expectations. Coordinators who have successful clients agree that the key to this success is what they call "tough love."

A second factor tied to the success of the WtW program is the capacity of experienced loan coordinators to select successful borrowers. Effective loan coordinators spend a lot of time conducting intensive borrower screening, and assessing the character of the applicant before presenting the case to their loan committee. When a loan committee trusts the judgment of a seasoned loan coordinator and awards the loan to someone they recommend, the results are usually positive and default rates are low.

Finally, financial literacy is the third key element that contributes to successful outcomes for WtW program participants. Borrowers made a clear connection between the financial knowledge gained through their involvement in the program, and their ability to pay back their loan, stabilize their family's economic situation, and avoid future debt. Formal approaches, such as required participation in credit counseling classes, reinforced the informal education provided by loan coordinators working closely with borrowers on budgeting and saving issues.

SUCCESSFUL PROGRAM

In conclusion, this evaluation has shown that the WtW program is effectively meeting the organization's mission of providing a means to self-sufficiency for low-income families. Since our evaluation has focused on outcomes for borrowers who have been out of the program for no more than three years, we cannot say for certain if these early accomplishments will have a lasting economic impact on families. Ideally, we would need to track former borrowers' career trajectories for a longer period of time to see if the jobs they were able to obtain or maintain as a result of having a reliable means of transportation have led to better paying positions that have in turn moved the family further away from poverty. The same applies to educational achievement resulting from participating in the car loan program. The families that WtW has chosen to serve are fragile to begin with, and economic gains of the scale we have seen in this evaluation are not large enough to prevent set-backs due to job losses or unforeseen family emergencies, such as illness or other catastrophic events.

The evaluation has also identified important factors that contribute to program effectiveness. These point to the important role loan coordinators play in ensuring low default rates for their programs, and suggest that spending time with clients up front pays off in the end when loans are repaid on time and in full. Furthermore, borrowers get many additional benefits from participating in the WtW program that go beyond the car loan. A sense of hopefulness about their future, increased self-esteem, and reduced family stress are some of the less tangible outcomes mentioned by borrowers in this evaluation.

The words of a WtW participant provide the best closing summary of the impact of this program:

"If it wasn't for the program I wouldn't have an apartment; if it wasn't for the program I wouldn't have a car; and without a car I wouldn't have my job. This program has benefited me maybe even more (than they know). I even said I would do a commercial…. I'll stand right in front of my house, right in front of my car…"

METHODOLOGY

Introduction

The OMG Center for Collaborative Learning (OMG) conducted an evaluation of the WtW, Inc. car loan program to assess the program's impact on borrowers and identify the most effective program elements. This evaluation was conducted under contract with the national WtW, Inc., office following OMG's response to a Request for Proposals issued by WtW. A design group, formed by WtW, guided the development of the RFP and the selection of OMG as the vendor. This design group consists of professional advisors, program staff, and consultants. OMG conducted the evaluation over a one year span of time (April 2005 through March 2006).

Primary Components

There were three primary components to the evaluation:

1. A telephone survey of a national random sample of borrowers,
2. An internet survey of the senior loan coordinators at all current sites, and
3. Site visits to five local offices to interview program staff and borrowers.

The first two components were intended to answer the questions regarding the program's impact on borrowers and the effective elements of the WtW program. The third component, the local site visits, was intended to supplement the answers obtained through the first two components.

Background Data Collection: Stakeholder Interviews and Document Review

In the first phase of the evaluation, OMG collected background information on the WtW program, through interviews and document reviews.

OMG reviewed the prior evaluations of the WtW program conducted by Thomas Lengyel, director of research for the Alliance for Children and Families (the sister organization to WtW).[32] Following the review of these evaluations, OMG interviewed Dr. Lengyel regarding the evaluations, the data available on local program results, and the limitations which challenged the prior evaluations. The primary challenge was the lack of consistent data collection by the local offices on borrower outcomes following the issuance of the loans. The design of OMG's evaluation, to conduct a telephone survey of a nationally representative sample of borrowers, addressed this gap by utilizing borrower survey responses and administrative data rather than outcome data collected from the local offices. OMG also interviewed the WtW national staff, local site staff of four sites, several current and past WtW board members, lead staff of the Alliance for Children and Families, and two lobbyists that lobby for the WtW program in Washington, D.C. We interviewed these individuals regarding program goals and outcomes, local operations, study purposes, and possible audiences.

In addition, OMG reviewed the program manuals for the WtW program and the technical assistance guides provided to the local offices. These documents provided us with a greater understanding of the program structure, services offered, and desired outcomes.

TELEPHONE SURVEY OF BORROWERS

Using a market research firm, ReedHaldyMcIntosh & Associates (RHM), as a sub-contractor, OMG conducted a telephone survey of a national random sample of current and past WtW borrowers. The purpose of the survey was to ask borrowers about the impact of the car loan that they received from the WtW program.

Sampling

The borrowers included in the universe from which we drew the sample for the survey are from 26 of the 46 WtW sites. These 26 sites were identified by the national WtW program as those sites who are currently active, have been in existence since at least December of 2004, and maintain the client data that was needed for sampling and analysis in an automated format.[33] Some of the sites do not use the software developed by the WtW national office, maintaining client data in paper files instead. It would not have been possible to use these client records for sampling at the national office or for analysis, given the resources of this study.

To preclude negative sampling biases that could skew results, OMG compared the loan default rate of the sites excluded due to data maintenance limitations with those of the sites included in the sample and found that the difference was only marginal (the sites excluded for data limitations have a write off rate of 9% as compared to 7% for the included sites).

Time Parameters

The universe for the random sample of borrowers was all borrowers who received a car purchase loan from one of the 26 WtW sites between January 1, 2001 and December 31, 2004. These dates were chosen to be inclusive of borrowers who had received the loan at least three and half years prior to responding to the survey, therefore having at least 18 months of post-loan experience, and borrowers whose loans were still current but at

32 "THE EVOLUTION OF OUTCOMES IN WTW", THOMAS LENGYEL, ALLIANCE FOR CHILDREN AND FAMILIES, MAY 2000; "WTW INTERIM OUTCOME EVALUATION", THOMAS LENGYEL, ALLIANCE FOR CHILDREN AND FAMILIES, SUMMER 2001; WTW OUTCOME EVALUATION REPORT", THOMAS LENGYEL AND LAURA PINSONEAULT, ALLIANCE FOR CHILDREN AND FAMILIES, JANUARY 2004. **33** TWENTY-EIGHT SITES WERE ORIGINALLY SELECTED BUT TWO OF THE 28 SITES DID NOT PURSUE BORROWER PARTICIPATION IN THE TELEPHONE SURVEY AND THEREFORE WERE DROPPED FROM THE SAMPLE OF INCLUDED SITES.

least six months old. In OMG's interviews in the first phase of data collection for this evaluation, stakeholders repeatedly cited six months out as the earliest one could expect outcomes, and three to three-and-a-half years as the outer limit of time in which one could reasonably expect outcomes attributable to the loan, other than life-long changes. Therefore, we chose to survey borrowers whose loans were between six months old and three-and-a-half years old.

Sample Size and the Strategy to Yield it

The total number of borrowers from the 28 sites who received car purchase loans between January 1, 2001 and December 31, 2004 was 3,097. Using a sample size calculator, OMG determined 342 individuals would need to be surveyed to achieve a statistically representative sample of this population size with a 95% confidence level and a confidence interval of five.[34] OMG rounded this figure up to a goal of 400 respondents.

In response to a request from the national WtW office that the survey respondents be evenly balanced between past and current borrowers, OMG designed the sampling strategy to attempt to include 200 past and 200 current borrowers in the final sample that respond to the telephone survey.

WtW loans typically have two-year terms; therefore OMG used the two year mark to determine what could be considered a past or current loan. In some cases, loans may have been paid off early or extended. OMG did not look at the specifics of each loan to determine whether it should be considered a past or current loan. For the purposes of this study, all loans between January 2001 and June 2003 are considered past loans and all loans between July 2003 and December 2004 are considered current loans. July 2003 was chosen as the cut-off point because the telephone survey of borrowers was initiated in July 2005, two years later.

In order to yield 200 current and 200 past borrowers as survey participants, OMG asked the national WtW office to provide the local offices with 1,600 past borrower names and 600 current borrower names. The names were randomly selected from the databases of the 28 local offices included in the sample.

OMG's decision to use starting pools of 1,600 and 600 to yield 200 from each was based on the respondent consent success rates from the survey pre-test. During the pre-test, four local offices were given 14 randomly selected names of borrowers to call to ask to participate in the survey pre-test in the hopes of yielding seven from each site. The pre-test sites had a much harder time reaching past borrowers than they did current borrowers, as the past borrowers had relocated in some cases. Therefore, we developed our sampling strategy to over-sample the past borrowers in the hopes of yielding the 200 needed from each of the two cohorts (past and current borrowers).

Sample Sizes Per Site

To determine what proportion of the 200 past and 200 current borrowers needed to come from each of the 28 sites, OMG calculated the proportion of the total loans during the specified time period that came from each site.

Of the 3,097 loans made by the 28 sites between 2001 and 2004, 1,660 loans were made between January 2001 and June 2003 (past loans). The remaining 1,437 were made between July 2003 and December 2004 and therefore are considered current loans. The number of loans issued in 2001, 2002, and 2004 are exact figures from the WtW program. For the year 2003, OMG divided the figure for the total number of loans issued over the course of the year in half to create the split between January to June 2003 (past loans) and June to December 2003 (current loans). Therefore, although the 3,097 figure is exact for 2001-2004, the 1,660 and 1,437 split between the past and current pools is, in part, an estimated split (Table 9).

TABLE 9

NUMBER OF CURRENT AND PAST LOANS FROM THE 28 SAMPLE SITES	TIME PERIOD	# OF LOANS ISSUED BY THE 28 SITES THIS PERIOD
N (28 SITES)	01/01–12/04	3,097
PAST LOANS FROM THE 28 SITES	01/01–06/03	1,660
CURRENT LOANS FROM THE 28 SITES	07/03–12/04	1,437

34 OMG USED THE SAMPLE SIZE CALCULATOR PROVIDED BY CREATIVE RESEARCH SYSTEMS, WWW.SURVEYSYSTEM.COM/SSCALE.HTM.

OMG then calculated the proportion of 1,660 represented by each site (i.e. what was their number of past loans) and the proportion of 1,437 represented by each site (i.e. what was their number of current loans). This was done by aggregating each site's loan volume for 2001 and 2002, adding in half of their 2003 loan volume, and then aggregating their loan volume for the other half of 2003 and 2004 and determining what percentage of 1,660 and 1,437 the aggregated totals represent respectively. These percentages were then applied to the goal of 200 for each pool to determine how many borrowers each site needed to yield as survey respondents (Table 10).

The numbers each site needed to yield were then multiplied by eight for the past borrowers to draw a sample of 1,600 past borrowers, anticipating that the local offices would succeed in contacting only roughly one-quarter of the past borrowers whose names were provided to them. This expected success rate was based on the pretest experience. If one-quarter of the individuals provided consent, this would yield 400 names for RHM to telephone with the hope of successfully contacting 200 past borrowers to respond to the survey. The number of current borrowers to yield per site was multiplied by three to draw a sample of 600 current borrowers, estimating that that the sites would succeed in contacting two-thirds of the current borrowers whose names were provided to them (based on the pretest). This would also yield 400 names for RHM to telephone in order to reach a success rate of 200 current borrowers responding to the survey. Providing 400 names of each cohort (past and current) in order to obtain 200 of each was based on RHM's experience in reaching similar populations who had given prior consent.

For example, one of the larger sites, Baton Rouge, had 202 past borrowers and 173 current borrowers using the 2001-June 2003 and July 2003-2004 time parameters. The 202 past borrowers represented 12% of the 1,660 past borrowers and the 173 represented 12% of the 1,437 current borrowers. Therefore, of the 200 current and 200 past borrowers surveyed in total, 12% or 24 of each should come from Baton Rouge. In order to yield 24 past and 24 current borrowers, Baton Rouge needed to be given the names of 192 (i.e. 24*8) past and 72 (i.e. 24*3) current borrowers to attempt to call and secure consent for survey participation. The Baton Rouge staff was told that once they reached 48 past borrowers and 48 current borrowers who agree to participate in the survey, they could discontinue calling the borrowers listed (Table 11).

Random Selection of Names

To provide each of the 26 local offices with the lists of names of current and past borrowers to attempt to call, OMG asked the WtW national office to draw a random sample of borrowers from each site's database using a random number generator. The national office used the January 2001 to June 2003 and July 2003 to December 2004 as the time parameters for drawing the requested number of past and current borrowers. In many cases, the actual number of total past borrowers for a given site was less than the number that was desired to be given to the local site to call. In these cases, the local offices were given a list that included all of the past borrowers from their site, in random order and told to call them, following the sequence of the list.

Sites Soliciting Borrower Participation

The local site staff called the past and current borrowers included on their lists generated by the national office staff to solicit the borrowers' participation in the survey. To do so, the staff used a script written by the OMG evaluation team. When a borrower agreed to participate, the local staff person completed a form, developed by OMG,

FORMULA FOR CALCULATING SAMPLE SIZE FOR EACH SITE — TABLE 10

PAST BORROWERS SAMPLED PER SITE	(# OF LOANS IN 2001 + # OF LOANS IN 2002 + # OF LOANS IN 2003/2) / 1,660	200*8 = 1600
CURRENT BORROWERS SAMPLED PER SITE	(# OF LOANS IN 2003/2 + # OF LOANS IN 2004) / 1,437	200*3 = 600

BATON ROUGE EXAMPLE — TABLE 11

PAST BORROWERS SAMPLE (*n* = 202)	(# OF LOANS IN 2001 + # OF LOANS IN 2002 + # OF LOANS IN 2003/2) / 1,660	= 12% 12% of 200 = 24 24*8 = 192
CURRENT BORROWERS SAMPLE (*n* = 173)	(# OF LOANS IN 2001 + # OF LOANS IN 2002 + # OF LOANS IN 2003/2) / 1,437	= 12% 12% of 200 = 24 24*3 = 72

with the borrower's contact information, preferred time for the call, language preferences, and verbal consent. The WtW staff person soliciting the participation was asked to sign a statement that the borrower had provided verbal consent to participate. Borrowers were paid a $10 cash incentive for participating in the survey, which was mailed to them by OMG after they responded to the survey.

Potential Sample Bias

Not surprisingly, borrowers whose loans were written off for lack of complete payment (defaults) were harder to reach and therefore had a lower rate of participation in the survey. Of the 162 past borrowers who participated in the telephone survey, just 7% (11) were borrowers who defaulted on their loans. Defaulted borrowers are borrowers who did not complete the payments due on their loan. Therefore, the loan was written off for lack of complete payment when it was closed out. The loan may have been largely paid but not paid in full before closure. Borrowers may also have completed undocumented full or partial payoffs through a subsequent "work-out" process. These "work-outs" are not reflected in this or any WtW data.

Across the *26 sampled sites*, the default rate for the same time period (2001-2004) was 17%. This means that of all the borrowers who were issued loans between 2001 and 2004 by the 26 sampled sites, 17% of these borrowers did not complete the payments due on their loans. Across *all of the 63 sites* that operated at any point in time over the 2001-2004 period, the default rate was 23%. If the telephone survey had been able to include a proportion of defaulted borrowers that represented the proportion in the universe of borrowers in the 26 sites included in the study universe, there would have been 27 borrowers who had defaulted on their loans interviewed rather than 11. This is calculated by applying the 17% default rate for the 26 sampled sites (mentioned above) to the portion of the 353 borrowers included in the telephone survey who were past borrowers, meaning their loans were no longer active (they were either paid off or their loans were written off for lack of payment). Of the 353 borrowers included in the sample, 162 were past borrowers. By definition, none of the current borrowers in the sample (191) could be considered to be in default (although they may be in various stages of delinquency) and were therefore excluded from this calculation (Table 12).

This under-representation is important to note because the experience with the WtW program and the outcomes experienced after the loan may have been different for these borrowers than the experience of the borrowers who successfully paid off their loans. The quantity of defaulters participating in the survey (11) was not large enough to show any significant differences for this sub-population on any of the outcomes compared to non-defaulters.

Weighting the Sample

In total, 398 borrowers were interviewed through the telephone survey. Of these, 162 were past borrowers and 236 were current borrowers. The borrowers' responses were weighted so that the results represented an even balance between past and current borrowers and so that they represented each site's proportion of the groups of past and current borrowers. For example, as discussed above, Baton Rouge's volume of past and current borrowers for the time period represented 12% of the total number of past borrowers and 12% of the total number of current borrowers. Therefore, the sample was designed to include 24 past borrowers and 24 current borrowers from Baton Rouge to represent 12% of each total (200 past and 200 current borrowers). However, only 10 past and 19 current borrowers from Baton Rouge were interviewed. Therefore, the responses of these 10 and 19 were multiplied to give them enough weight to represent 24 each.

TABLE 12

PERCENT OF ALL BORROWERS ISSUED LOANS IN THE 26 SAMPLED SITES BETWEEN 2001 AND 2004 WHO DEFAULTED ON THEIR LOANS	NUMBER OF PAST BORROWERS INCLUDED IN THE SAMPLE OF 353 BORROWERS FROM THE 26 SAMPLED SITES	PERCENT OF THE SAMPLED PAST BORROWERS WHO WOULD HAVE BEEN DEFAULTED BORROWERS IF THE SAMPLE REFLECTED THE POPULATION
17%	162	17% * 162 = 27

Borrower Survey Content

The borrower telephone survey was intended to learn about the outcomes of the borrowers' participation in the WtW program. The survey contained seven sections, covering the following topics:

1) employment and education outcomes,
2) experience with the car purchased through the WtW program,
3) family and lifestyle outcomes,
4) credit and banking experience,
5) financial literacy,
6) loan repayment, and
7) income.

The survey primarily consisted of close-ended questions. It included two open-ended questions about the impact of the WtW program on the borrower.

Borrower Survey Analysis

OMG analyzed the frequencies of the responses to each survey question and reported the percentage of borrowers surveyed who provided each answer. The frequencies and percentage of borrowers providing each answer were also analyzed for the sub-groups within each of the 10 categories listed below. Statistical analysis was conducted to test for differences in responses for all questions by the sub-groups within each of the selected categories. Results are included in the report where they were statistically significant at the .05 level. A series of hypotheses framed the analysis conducted (Table 13). Refer to Appendix B to review the "Hypotheses for the Borrower Survey."

INTERNET SURVEY OF LOCAL SITE LOAN COORDINATORS

The Internet survey of senior loan coordinators was intended to assess the program elements that may impact borrower outcomes and to develop a portrait of the structure and offerings of the local WtW sites. An introductory email message was sent to the senior loan coordinators at all currently operating WtW sites explaining the survey and providing a link to an Internet site where the coordinators could complete the survey. The coordinators were given an incentive to complete the survey by the deadline; they were told that the names of the coordinators who completed the survey by the deadline would be entered into a lottery for the chance to win a $100 award for their local site. We had a 100% response rate among the 46 sites that were operating and were staffed at the time the survey was administered in the fall of 2005.

SUB-CATEGORIES FOR ANALYSIS OF BORROWER DATA TABLE 13

1	TYPE OF BORROWER	CURRENT PAST
2	LOAN STATUS	ACTIVE PAID OFF DEFAULTED *(WRITTEN OFF FOR LACK OF PAYMENT)*
3	AGE OF LOAN	36 MONTHS OR LONGER 24 TO 35 MONTHS 12 TO 23 MONTHS LESS THAN 12 MONTHS
4	AMOUNT OF LOAN	UNDER $3,000 $3,000 TO $3,500 $3,501 TO HIGHER
5	VIABILITY OF CAR *(BASED ON SURVEY QUESTION ASKING BORROWERS TO WHAT EXTENT CAR MET THEIR TRANSPORTATION NEEDS)*	MET ALL/MOST NEEDS MET SOME NEEDS DID NOT MEET NEEDS
6	AGE OF BORROWER	25 AND UNDER 26 TO 30 31 TO 40 41 AND OLDER
7	GENDER	MALE FEMALE
8	EDUCATION LEVEL AT TIME OF WtW LOAN	DID NOT GRADUATE HS HS GRAD OR GED MORE THAN HS
9	MARITAL STATUS	SINGLE DIV/SEP/WIDOW MARRIED/CO-HAB
10	NUMBER OF CHILDREN IN HOUSEHOLD	2 OR FEWER 3 OR MORE

Loan Coordinator Survey Content

The loan coordinator survey included questions in the following areas:

1) staffing,
2) structure of relationship with sponsoring agency,
3) services provided by banking partners,
4) referrals,
5) program activities, including supports and services,
6) loan decisions,
7) financial literacy, and
8) program success.

The questions were primarily close-ended. There were three open-ended questions regarding needs from the national office, innovative programming, and other comments not yet addressed.

Loan Coordinator Survey Analysis

OMG analyzed the frequencies of responses to the survey for all questions, and conducted cross-tabulations to look at the differences in the responses for various sub-groups of sites, such as sites that process a smaller volume of loans vs. those that process a larger volume of loans. OMG also analyzed the results of the loan coordinator survey in relationship to the results of the borrower survey and in relationship to administrative data from the national WtW office about the sites, such as loan volume and default rates. Results are included in the report where they were statistically significant at the .05 level. The analyses conducted were based on a series of hypotheses about the relationship of program elements to borrower outcomes and the relationship of program elements to program structure. Refer to Appendix B to review the "Hypotheses for the Loan Coordinator Survey."

SITE VISITS TO FIVE LOCAL OFFICES

Our third and final source of data was a series of in-person visits to WtW sites in February and March 2006. Five sites were chosen by the national office because they represented well-established, successful, and diverse examples of the program model. They were: San Mateo, California; Lafayette, Louisiana: Pittsburgh, Pennsylvania; Rochester, New York; and Lakeville, Minnesota.

Each one-day site visit consisted of a series of individual interviews conducted by OMG staff, including two interviews with staff and three with borrowers. Because sites typically have at most two staff members, this essentially meant that we spoke with the entire staff for each site, including loan coordinators and their supervisors. Borrowers were selected by the local loan coordinator, in response to OMG's request that we speak with active or past borrowers who were in good standing with WtW and were generally representative of the site's demographic profile.

All interviews were conducted with the promise of confidentiality, and names and identifying details have been changed. A total of 15 borrowers were interviewed: 12 women and three men. Of the 15, eight were African American, one was an African immigrant, one was an immigrant from the Middle East, one was Latina, and four were white. A majority of them had between two and three children and all were employed.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

Employment and Education Outcomes

The car purchased through the WtW loan will help borrowers improve their employment circumstances:

TABLE 14

DID THE CAR PURCHASED THROUGH THE LOAN HELP BORROWERS:	PERCENT OF BORROWERS (+/-5% AT 95% CONFIDENCE)	AVERAGE BORROWER RATING OF HOW HELPFUL THE CAR LOAN WAS WITH EACH OF THESE (BORROWERS WERE ASKED TO RATE ON A SCALE OF 1 TO 4; 1 = NOT AT ALL HELPFUL AND 4 = VERY HELPFUL)
A) GET A JOB	30%	3.97
B) KEEP A JOB	86%	3.99
C) GET A JOB WITH MORE REPONSIBILITY OR AT A HIGHER RATE OF PAY	55%	3.97
D) GET A JOB WITH BETTER HOURS OR AT A MORE CONVENIENT LOCATION	53%	3.98
E) DECREASE LATENESS OR DAYS MISSED FROM WORK	82%	3.97
F) CUT BACK ON THE NUMBER OF JOBS HELD	15%	3.99
G) MAKE IT POSSIBLE TO HOLD MORE THAN ONE JOB	60%	3.94

Differences between Groups
(Differences were statistically significant at the .05 level)

Education of the Borrower:

- Borrowers who have some post-secondary education were less likely to say that the car helped them get a job with better hours or at a more convenient location than borrowers with less than a post-secondary education.
  - Borrowers with more education (high school and higher) were more likely than borrowers who are not high school graduates to have five of the employment outcomes.

Family Size of the Borrower:

- Borrowers with three or more children were more likely to say that the car helped them get a job than borrowers with two or fewer children.

Age of the Borrower:

- Younger borrowers (under 25 years old) were more likely to have six of the employment outcomes than borrowers who are 26 to 40 years old.

Viability of the Car:

- Borrowers who reported that the car met all or most of their transportation needs were more likely to say that the car helped them keep a job they already had than borrowers for whom the car only met some of their transportation needs.

Age of the Loan:

- Borrowers who received their loans more recently (loan is 12 months old or less at the time of the survey) were more likely than borrowers who received their loan 12 to 35 months prior to the survey to say that the car helped them keep a job they already had (there was no significant difference between the more recent loans and loans that were 36 months old or older).
- Borrowers who received their loans 24 to 35 months prior to the survey were also more likely to say that the car helped them get a job with more responsibility or at a higher rate of pay than borrowers who received their loans 12 to 23 months prior to the survey.
- Borrowers who paid off their loans were more likely to say that the car helped them get a job with more responsibility or at a higher rate of pay than borrowers who defaulted on their loans.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

The WtW car purchase loan will facilitate borrowers' ability to obtain additional education and/or training:
Of the 353 respondents, 262 respondents received education and training during the time that they received the loan for the car (therefore the universe for the following results is 262 respondents).

TABLE 15

DID THE CAR PURCHASED THROUGH THE LOAN HELP BORROWERS:	PERCENT OF BORROWERS (+/-5% AT 95% CONFIDENCE)	AVERAGE BORROWER RATING OF HOW HELPFUL THE CAR LOAN WAS WITH EACH OF THESE (BORROWERS WERE ASKED TO RATE ON A SCALE OF 1 TO 4; 1 = NOT AT ALL HELPFUL AND 4 = VERY HELPFUL)
A) START AN EDUCATION OR JOB TRAINING PROGRAM	46%	3.97
B) STAY IN AN EDUCATION OR JOB TRAINING PROGRAM THAT ALREADY IN AT TIME OF LOAN	53%	3.95
C) COMPLETE AN EDUCATION OR JOB TRAINING PROGRAM	44%	3.97
D) TRANSFER TO A DIFFERENT EDUCATION OR JOB TRAINING PROGRAM	25%	4.00
E) DECREASE LATENESS OR DAYS MISSED FROM WORK, EDUCATION OR JOB TRAINING PROGRAM	63%	3.95
F) GET TO THE EDUCATIONAL INSTITUTION OR JOB TRAINING PROGRAM SITE IN LESS TIME	68%	3.97

Differences between Groups
(Differences were statistically significant at the .05 level)

Amount of the Loan:

- Borrowers whose loans exceeded $3,000 were more likely than borrowers with loans less than $3,000 to report having six education outcomes.

Viability of the Car:

- Borrowers who reported that the car met all or most of their transportation needs were more likely to report that the car helped them to complete an education or training program than borrowers who said the car only met some of their transportation needs.

Age of the Loan:

- Past borrowers (loans were no longer active) were more likely than current borrowers to have five education outcomes.
- Borrowers whose loans were 12 months old or less were more likely than borrowers with loans 24 to 35 months old to report having no educational outcomes.

Age of the Borrower:

- Borrowers who are 26 to 30 years old were more likely to report having five education outcomes than borrowers who are older than 30 years of age. Similarly, borrowers who are older than 41 years of age were more likely to report having no education outcomes than borrowers who are 26 to 30 years old and than borrowers who are less than 25 years old.
- Younger borrowers (less than 25 years of age) were more likely to report that the car helped them get to the education institution in less time and decrease lateness than their older peers (31 to 40 years of age and over 41 years of age).
- Borrowers ages 26 to 30 were more likely than borrowers less than 25 years of age or borrowers ages 31 to 40 to say that the car helped them complete an education or training program.

Marital Status of the Borrower:

- Borrowers who are married or cohabitating were more likely to report having no education outcomes than borrowers who are single or divorced/widowed. Single borrowers were more likely to report that the car helped them get to the educational site in less time, decrease lateness or days missed, and stay in education or job training than their married/cohabitating peers.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

Quality of Life and Care for Children

The WtW car purchase loan will help borrowers improve their quality of life:

TABLE 16

DID THE CAR PURCHASED THROUGH THE LOAN MAKE IT POSSIBLE FOR BORROWERS TO SPEND MORE TIME:	PERCENT OF BORROWERS
A) WITH FAMILY AND FRIENDS	96%
B) HAVING QUALITY TIME FOR SELF	88%
C) DOING WORK AROUND THE HOUSE	82%
D) STUDYING FOR A DEGREE OR DOING JOB-RELATED EDUCATION OR TRAINING	77%
E) DOING VOLUNTEER WORK	72%
F) DOING OTHER ACTIVITIES NOT MENTIONED	55%

Differences between Groups
(Differences were statistically significant at the .05 level)

Gender of Borrower:

- Male borrowers were less likely than female borrowers to say the car loan gave them more time for studying for a degree/job related training

Marital Status of Borrower:

- Single and divorced/separated borrowers were more likely than married/co-habitating borrowers to say that the loan gave them time to do other things that were not mentioned in the survey response choices.

Age of Borrower:

- Borrowers who were over 40 years of age were less likely than borrower who were 40 years of age or younger to say the car loan gave them more time for studying for a degree/job related training.

Viability of the Car:

- Borrowers who reported that the car met all or most of their transportation needs were more likely to say that the loan helped them: spend more time with family or friends, do work around the house, and do volunteer work than borrowers for whom the car only met some of their transportation needs.

Loan Status:

- Borrowers who have paid off their loans were more likely than borrowers whose loans are still active to say that the loan gave them more time to do volunteer work.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

The WtW car purchase loan will help borrowers improve the quality of their family life: Of the 353 respondents, eight respondents said that this was not applicable/no children (therefore the universe for the following results is 345 respondents).

TABLE 17

DID THE CAR PURCHASED THROUGH THE LOAN HELP BORROWERS TO:	PERCENT OF BORROWERS
A) TAKE CHILDREN TO MEDICAL APPOINTMENTS	99%
B) TAKE CHILDREN TO ACTIVITIES OUTSIDE OF SCHOOL	98%
C) MAKE SURE THAT CHILDREN GET TO SCHOOL ON TIME	94%
D) PUT CHILDREN IN A MORE SATISFACTORY DAY CARE SITUATION	78%
E) OTHER IMPACT	28%

Differences between Groups
(Differences were statistically significant at the .05 level)

Gender of Borrower:

- Male borrowers were less likely than female borrowers to say that the car purchased through the loan helped them get children to school on time or put them in a more satisfactory day care situation.

Age of Borrower:

- Borrowers who were over 40 years of age were less likely than borrower who were 40 years of age or younger to say the car loan helped them put children in satisfactory day care.

Viability of the Car:

- Borrowers who reported that the car met all or most of their transportation needs were more likely to say that the loan helped them get their children to school on time, or put their children in a more satisfactory day care situation.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

Engagement in the Financial Markets

The WtW car purchase loan will help borrowers improve their quality of life:

TABLE 18

SINCE RECEIVING THE WtW LOAN HAVE BORROWERS:	PERCENT OF BORROWERS
A) INITIATED A NEW ACCOUNT/LOAN	67%
B) OBTAINED A CREDIT CARD	26%
C) OPENED A CHECKING ACCOUNT	39%
D) OPENED A SAVINGS ACCOUNT	35%
E) RECEIVED ANOTHER LOAN	23%

Differences between Groups
(Differences were statistically significant at the .05 level)

Loan Status:

- Borrowers who have paid off their loans were more likely than borrowers whose loans are still active to have initiated any new accounts. For the individual choices, borrowers who have paid off their loans were also more likely than borrowers whose loans are still active to have opened a checking or savings account and to receive another loan.
- Borrowers who defaulted on their WtW loan were more likely than borrowers whose loans are still active to have received another loan.

Gender of Borrower:

- Female borrowers were more likely than male borrowers to have opened a savings account.

Education of Borrower:

- Borrowers with more than a high school education were more likely to have initiated new accounts and/or obtained loans than borrowers who did not graduate high school. Likewise, borrowers who are not high school graduates were more likely than those with more than a high school education to have not opened any new accounts/loans.

Amount of the Loan:

- Borrowers with loans that are $3,000 to $3,500 were more likely than borrowers with loans that were less than $3,000 to have obtained a new credit card.

Age of Loan:

- Borrowers who received their loans 24 months or more prior to the survey were more likely to have initiated a new account and or obtained a loan than borrowers who received their loans 23 months or less prior to the survey.
- Borrowers who received their loans between 12 and 35 months prior to the survey were more likely than borrowers who received their loans 12 months or less prior to the survey to have obtained a new credit card.
- Borrowers who received their loans 36 months or more prior to the survey were more likely to have opened a checking account than borrowers who received their loans 23 months or less prior to the survey.
- Borrowers who received their loans 36 months or more prior to the survey were more likely to have opened a savings account than borrowers who received their loans 12 months or less prior to the survey.
- Borrowers who received their loans 24 months or more prior to the survey were more likely to have received another loan than borrowers who received their loans 23 months or less prior to the survey.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

Borrowers are likely to continue formal banking with the bank through which they received their WtW loan.

Borrowers who responded that they opened a checking or savings account, or obtained a new loan, were asked if they opened these accounts at the same bank from which they received their WtW loan. The universe of respondents for each of the following results is the universe that responded that they had opened the specified type of account or obtained a new loan. The universe for each option is listed next to the percent of borrowers who answered yes.

TABLE 19

SINCE RECEIVING THE WtW LOAN HAVE BORROWERS:	PERCENT OF BORROWERS
A) OPENED A CHECKING ACCOUNT WITH THE SAME BANK AS THEIR WtW LOAN	25% (OF 139)
B) OPENED A SAVINGS ACCOUNT WITH THE SAME BANK AS THEIR WtW LOAN	23% (OF 125)
C) RECEIVED ANOTHER LOAN FROM THE SAME BANK AS THEIR WtW LOAN	18% (OF 80)

Differences between Groups
(Differences were statistically significant at the .05 level)

Education of Borrower:

- Borrowers that are not high school graduates were more likely than borrowers who have more than a high school education to open a savings account with the bank from which they received their WTW loan.

Age of Loan:

- Borrowers who received their loans 36 months or more prior to the survey were more likely to have opened a savings account with the bank from which they received their WtW loan than borrowers who received their loans 12 to 23 months prior to the survey.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

Income and Cash Assistance

Borrowers' net income will increase after receiving a WtW car purchase loan.

To assess whether the net income of the borrowers increased between the time that they applied for the WtW loan and the time of the telephone survey, OMG compared the net income that the local program sites recorded for the borrowers at the time of their loan application with the net income recorded by the survey research firm (RHM). RHM calculated the net income of the borrowers at the time of the survey by asking the borrowers to report:

a) how many jobs they currently hold;
b) how much was their most recent paycheck from each job; and
c) how often are they paid for each job.

Administrative income (from the local offices) or survey income was not available for 130 of the 353 respondents, limiting the universe of respondents for these results.

Results:

- 72% of borrowers reported monthly income at the time of the survey that is higher than the monthly income recorded in the program's administrative data.
- 28% of borrowers reported monthly income at the time of the survey that is lower than the monthly income recorded in the program's administrative data.
- No borrowers reported monthly income that was the same at the time of the survey as the monthly income recorded in the program's administrative data.

Differences between Groups
(Differences were statistically significant at the .05 level)

Age of the Borrower:

- Borrowers with loans that were received 24 to 35 months prior to the survey were significantly more likely to report income at the time of the survey that was higher than their income at the time of their loan application *than* the borrowers whose loans were issued 12 to 23 months prior to the survey.
- Borrowers with loans that were received 12 to 23 months prior to the survey were significantly less likely to report income at the time of the survey that was higher than their income at the time of their loan application *than* the borrowers whose loans were received 24 to 35 months prior to the survey. However, this difference is not sustained for borrowers whose loans were issued 36 months or more prior to the survey. There is not a significant difference in income increases between the borrowers who received their loans at least 36 months prior to the survey and the borrowers who received their loans more recently.

HYPOTHESES AND RESULTS TELEPHONE SURVEY OF BORROWERS

Borrowers who received cash assistance at or before the loan will not receive cash assistance after getting the WtW loan. Borrowers who did not receive cash assistance at or before the loan will also not get cash assistance after the loan.

Whether a borrower received cash assistance before and/or after the loan was based on the borrowers' responses to survey questions that asked

a) Did you ever receive cash assistance from the welfare office at any time *before* you got your WtW loan? and

b) Did you ever receive cash assistance from the welfare office *since* you received your WtW loan?

- 55% of borrowers never received cash assistance (not before or after the loan)
- 37% of borrowers received cash assistance before the loan but did not receive cash assistance after getting the loan
- 6% received cash assistance before and after the loan
- 2% did not receive it before the loan but did receive it after the loan

Differences between Groups

(Differences were statistically significant at the .05 level)

Gender of Borrower:

- Females were more likely to have received cash assistance before the loan but not after than males; Males were more likely to have never received cash assistance.

Marital Status of Borrower:

- Borrowers who are part of married/cohabitating couples were more likely to have never received cash assistance than single individuals.

Education of Borrower:

- Borrowers who were high school graduates or who had received their GED were more likely to have received cash assistance after the loan when they had not received it before the loan than borrowers with more than a high school education.

Age of Borrower:

- Borrowers who were 31 to 40 years of age were more likely to have received cash assistance before the loan but not after than borrowers who were over age 41; Borrowers who were under age 25 and borrowers who were over age 41 were more likely to have never received cash assistance than borrowers who were 26 to 30 years of age.

Age of Loan:

- Borrowers who received their loans 36 months or more prior to the survey were more likely to have received cash assistance before and after the loan than borrowers who had received loans 24 to 35 months prior to the survey.
- Borrowers who received their loans 36 months or more prior to the survey were more likely than borrowers who had received their loans within the past three years to have received cash assistance since getting the loan. Sixteen of the 26 borrowers who reported that they have received cash aid since getting the loan were borrowers who had received their loans at least 36 months prior to the survey.

Loan Status:

- Borrowers who defaulted on their loans were more likely than borrowers whose loans are still active to have received cash assistance after the loan when they did not receive it before the loan.

Amount of the Loan:

- Borrowers with loans that were less than $3,000 were more likely to have received cash assistance before the loan but not after the loan than borrowers with loans that were more than $3,000. Likewise, borrowers with loans above $3,000 were more likely to have never received cash assistance than borrowers whose loans were less than $3,000.

HYPOTHESES AND RESULTS WEB SURVEY OF LOCAL SITE LOAN COORDINATORS

Where the hypotheses link data from the telephone survey of borrowers to the web survey of loan coordinators or to WtW administrative data, the results are limited to the 25 sites that participated in the telephone survey of borrowers and for whom we have completed loan coordinator surveys. Where the hypotheses use only WtW administrative data and loan coordinator survey data, the results reflect all 46 sites that completed the loan coordinator survey. Where differences are reported here, they are statistically significant at the .05 level.

Borrower Place of Residence and Education and Employment Outcomes

The location of the majority of borrowers for a given site (urban, rural, or suburban) makes a difference in whether or not borrowers say that the car purchased with the loan helped them:

a) start or complete an education or job training program, or
b) get a job or get a job with more responsibility or higher pay, or
c) improve their quality of life, or
e) facilitate their ability to care for their children.

Results:

- There were no significant differences in employment, education, quality of life, or care for children outcomes between borrowers who are from sites that are predominantly urban or rural or suburban.

Banking Encouragement and Formal Financial Market Experiences

Borrowers in sites with lending partners who encourage them to open savings and/or checking accounts with them are:

a) more likely to open checking or savings accounts, and
b) more likely to open checking or savings account with the bank from which they received their WtW loan.

Results:

- Borrowers from sites with lending partners that encourage them to open checking or savings accounts were less likely to have opened a savings account after getting the loan than borrowers from sites whose lending partners do not encourage borrowers to open accounts.
- Of those borrowers who did open savings accounts after getting the loan, the borrowers who were from sites with lending partners who encourage them to open checking or savings accounts were more likely to have opened a savings account with the bank from which they received their WtW loan than the borrowers from sites with lending partners that did not encourage them to open checking or savings accounts.

Financial Literacy Offerings and Formal Financial Market Experiences

Borrowers in sites that emphasize financial literacy are more likely to have engaged in the formal financial market after getting the loan.

Results:

- There were no significant differences between the sites that mandated three or more hours of financial literacy education and the sites that did not. However, there were differences between the sites mandating at least one hour of financial literacy education and those that did not.
- Borrowers from sites that mandated at least one or more hours of financial literacy education provided formally by WtW staff or through referral were more likely to have opened a checking account after getting the loan than borrowers who were from sites that did not mandate at least one hour of financial literacy education provided formally or through referral.
- Borrowers from sites that mandated financial literacy education at least one or more hours provided formally by WtW staff or through referral were more likely to have received another loan after getting the WtW car purchase loan than borrowers who were from sites that did not mandate at least one hour of financial literacy education provided formally or through referral.

Borrowers in sites that emphasize financial literacy are more likely to have said that the assistance or training that they received from WtW was very helpful in helping them to:

a) manage their money, and
b) use banking services.

Results:

- In response to questions about how helpful the assistance or training from WtW was in helping borrowers to manage their money or use banking services, there were no significant differences between sites that require three or more hours of financial literacy provided formally or on referral and those that do not or between sites that require one or more hours of financial literacy education provided formally or on referral and those that do not.
- Over half of the borrowers from sites that mandate at least one or more hour of financial literacy education said that they did not receive any help in the area of money management from the program.

HYPOTHESES AND RESULTS
WEB SURVEY OF
LOCAL SITE
LOAN COORDINATORS

Loan Volume and Marketing and Staffing

Sites use different marketing strategies depending upon the volume of loans that they carry.

Results:

- The only significant differences in marketing strategies between lower volume and higher volume sites is that lower volume sites are more likely to get at least one-third of their referrals from their sponsoring agency than are higher volume sites.

Sites allocate staff time differently dependent upon the volume of loans that they carry.

Results:

- There were no significant differences in how the time of the senior loan coordinator is spent between sites with different loan volumes.
- There were also no significant differences on how the time of the overall staff is allocated across the major program components between sites with different volumes.
- There were significant differences between the low and high volume sites in how they spend their time processing loans.
  - Lower volume sites spend more of the staff time on advertising and recruitment (out of their total time on loan processing) than higher volume sites.
  - Higher volume sites spend more time on processing loan applications than lower volume sites.
  - Lower volume sites spend more time working with the loan committee than higher volume sites.

The Relationship of Collections, Case Management, and Volume to Default Rates

The default rate and loan volume for this analysis were from the WtW administrative program data. The responses regarding collections and case management were from the loan coordinator survey. Therefore, the analysis is for all 46 WtW program sites that responded to the loan coordinator survey.

Certain criteria that loan committees consider more important in determining loan approval are more predictive of default rates than others.

Results:

- The sites whose loan committees consider the recommendations of the loan coordinator to be the first or second most important criterion for determining loan approval were significantly more likely to have lower default rates.
  - The average default rate for the 20 sites that do not consider the loan coordinator’s recommendations to be the first or second most important factor is 15.9% as compared to an average default rate of 6.3% for the seven sites that do consider it to be the first or second most important factor.
- There were no other significant differences in the mean default rates between sites that selected each of the other criteria as the first or second most important factor in determining local approval and those that did not select each of the given criteria.

HYPOTHESES AND RESULTS WEB SURVEY OF LOCAL SITE LOAN COORDINATORS

Sites that do x, y, and z (see list below) to pursue payment from borrowers are more likely to have lower default rates than the sites that do not engage in the particular activity.

a) Sites that mail reminders about payment dates to all borrowers.

b) Sites that make regular phone contact to remind all borrowers of payment.

c) Sites that only mail reminders about payment due dates to delinquent borrowers.

d) Sites that renegotiate loan terms with borrowers.

e) Sites that assume loans from the bank when borrowers are in default.

f) Sites that repossess the car when loan payments are not made.

g) Sites that provide incentives to borrowers who make timely payment.

Results:

- There were no significant differences between the default rates of the sites that conduct each of the collection activities and the sites that do not conduct each of the collection activities.

Sites that offer more case management services have lower default rates.

We defined case management to include the provision of a range of possible services by the sites including employment and education services, life skills and family counseling, assistance with day care needs, and linkages to other types of assistance such as public benefits, affordable housing, and medical services.

Results:

- There were no significant differences in the default rates of sites that offer varying levels and types of case management.

Sites that have higher loan volume have lower default rates.

Results:

- There is a significant inverse relationship between loan volume and default rates. Higher volume sites have lower default rates.

CASE STUDIES

The Case of Susan

Susan is a white woman with three children ages 22, 20 and 14; she works full time as a supervisor of a cleaning crew. Susan was working at a temp agency when a co-worker mentioned getting a loan for her utility bill from the agency that houses the WtW program. She obtained an initial loan from them to help with her security deposit on an apartment. At that time, she was working two jobs to keep up with her bills. She obtained her car loan in 2005, and it happened just in time: *"I was in the process of getting the loan. My '83 Toyota died on me, two weeks before the loan was approved. It was hard getting to work. I work 4-11. The bus runs during the day, but not at night. It was hard [because my job is] 15 miles away. [After I had owned the car for 11 months], the brakes, starter, and distributor all went. That was December 2005... I never did crack—you know, the drug? But when I didn't have a car, I felt like a crack addict. The need was so.... Not having control of the situation. To go back and have to depend on people, and almost get into arguments [because I had to get to work to pay my rent]. I work 4 miles past the airport [in the other direction]. That was a big inconvenience."*

Susan was still driving the car she purchased with the WtW loan when she was interviewed for this evaluation. According to her, finding a car was the hardest part of the loan process: *"I looked at an Explorer truck. It was so wide open and spacious. Before I even started it, I said, "This is not for me." I couldn't even afford to put gas in it. I have a '93, with 73,000 miles on it. All of the cars that were newer had hundreds of thousands of miles. The paperwork [for WtW] was very simple. The most mindless person could have understood that paperwork. [laughs] The staff here was so helpful."*

Susan took the financial literacy class offered by the WtW program and learned about budgeting. She was considering paying the loan off early, but her loan coordinator advised her that it would be better for her credit if she didn't. Susan has big plans for the future: *"I'm going back to school starting Monday. I want to move to Arizona. I'm learning medical billing codes. I'm keeping my [full-time] job as a supervisor of a cleaning crew. I'm also going to do extra cleaning work for $15/hour for the owner of the company [at the cleaning job]."*

Susan credits the program with giving her a way to support herself and her family: *"If it wasn't for the program I wouldn't have a car [and without a car I wouldn't have my job]. This program has benefited me maybe even more [than they know]. I [refer] only a few people [to WtW]. Only the ones I think would pay it back. It's helped me so much that I don't want to [see people] abuse it. I even said I would do a commercial. The program is excellent. [If they ever do a commercial], I'll stand right in front of my house, right in front of my car...."*

The Case of Sahid

Sahid came from Saudi Arabia in 2003; he has a wife and five children ages 19, 16, 11, 5 and 11 months. He has been working full time as a Wal Mart technician for the last two and a half years. Sahid was referred to the social service agency which hosts the WtW program to get a loan to fix his teeth. He was later told about the WtW car loan program offered by the agency, and decided to apply. He had an unreliable car for his entire family. His wife was pregnant and had to use buses to get around while he was at work. The family needed a second car so the wife and older kids who worked could get around while the father had the other car.

As a new immigrant, Sahid did not have any credit and could not afford to buy a car because he did not have any savings. Even though as a Muslim he is opposed to paying interest, WtW charged only small interest and he was happy with it. He wanted to be able to pay it back.

With the loan from WtW, he purchased a 1997 Geo for $2,000. The application process was very fast and two weeks later he had his car. He praised his loan coordinator as *"someone I feel I have known all my life."* Sahid also liked the fact that at the agency *"they treat you like family, they don't take advantage of you. I don't like banks and I don't have a credit history. I don't speak English well."*

When we asked him how he felt about the WtW program and the impact it had had in his life, his answer was pretty straight forward: *"I am happy, my kids are happy, my wife is happy. I am not late to work anymore; now my wife has a car in case of an emergency and she is taking English classes now that she can use the other car."* An additional benefit for Sahid was that the loan helped him establish credit in his new country. *"Not everyone can get loans from banks. Immigrant families have to start from scratch. I've told friends about WtW, and I've given them the phone number."*

The Case of Desiree

WtW has changed life for Desiree Walker and her family.

Living in Egan, Minnesota, outside Minneapolis-St. Paul, Walker, 22, and her husband, David Hill, have struggled to make ends meet. In 2006, he landed a job as a shift manager with a local restaurant several miles from home. With no car and no bus service available, he was forced to get rides from friends or, in many cases, spend the night with a relative who lived near the restaurant.

But Hill's spending so many nights away from home became untenable when Walker's pregnancy with their second child encountered problems, sending her repeatedly to doctors' offices and the hospital. "Without a car, it was a whole lot of stress," Walker recalls.

In late summer, the couple came to WtW, successfully applied for a loan, and used the money to purchase a used van. Having reliable transportation has made life immeasurably better for the family. Hill has no problem getting to work on time and he can come home every night to be with his wife and child. He also has peace of mind knowing that he can get to his wife quickly in case of a health emergency.

"I'm so happy we have the van," she says. *"I can get back and forth to my doctor's appointments and I'll be able to go back to work after I have my baby. I thank WtW so much. Without them, I don't know where we would be."*

The budgeting class the couple took before receiving the loan has helped them change their spending habits—giving up the regular trips to fast-food restaurants, for example. Next goal: paying off old debts that have marred their credit rating. *"We're young, but we're getting there,"* Walker says.

Her family's challenges are familiar to WtW staff in the area. *"We help people who are really working hard, but they don't want to lose their jobs because their car breaks down,"* says Botir Turdaliev, a WtW loan officer. *"If they need a car, they can be very desperate. They really struggle getting to work each day."*

Walker and Hill received their loan through the WtW office hosted by Community Action Council in Lakeville—one of eight in the Twin Cities region. A key supporter of the WtW program there has been Greater Twin Cities United Way, which provides more than $450,000 a year to the eight hosting agencies.

"*Getting to work can be a challenge for anyone, and* WtW *has developed a very good method for meeting that challenge for people throughout the region,"* says Lauren Segal, United Way President and CEO.

The Case of Emma

The morning routine for Emma Yturralde was a grind. The newly divorced Palo Alto, California, resident had to get up and out of the house by 6 a.m. Her human resources job at a major retail outlet was only a few miles away but with a car that often didn't work, she spent close to two hours riding and waiting for buses. After work, she repeated the two-hour trip. Her transportation problems meant less time at home with her 11-year-old daughter, Samantha. But not having a reliable car also forced her to turn down offers to travel out of town to do training work at other stores.

Things changed when a WtW loan through Family Service Agency of San Mateo County, allowed Yturralde to purchase a reliable, 2-year-old Daewoo.

"When I brought the car home, my daughter told me how proud she was of me," Yturralde says. *"It was such an incredible feeling of freedom from worries."*

The car allowed Yturralde to accept a better-paying position farther from home. In December 2005, she paid off her car loan. Months later, she and her daughter, Samantha, moved into a condo.

Yturralde wonders what she would have done without a boost from WtW and Family Service Agency. *"Sometimes, despite our best intentions, a little help can spell the difference between failure and success,"* she says. *"We just need a little help to make it on our own."*

The Case of Trenes and Andy

Without a car, Trenes and Andy Hebert got used to taking taxis to work or their children's schools. But the Lafayette, Louisiana, couple realized that the taxis were costing a small fortune and decided to take out a loan to buy a dependable used car.

One used car dealer demanded a $2,500 down payment, which was out of reach for the couple, both of whom work in restaurants. Instead, the Lafayette WtW office, hosted by The Family Tree, offered the Heberts an affordable loan, which allowed them to purchase a used Hyundai Elantra.

"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."*

Dolores Broussard, loan officer for WtW in Lafayette, stays in touch with the Heberts and other clients as they pay off 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.

She takes happiness from 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."*

"I love seeing them get that car. It makes them self-sufficient. They can take their kids places in their own car. If the kid drops a cookie in the car, it's OK. It's their kid and their car."

The Case of Renata

Despite not having reliable transportation, Renata Joseph managed to hold down a job and raise children. But it was never easy.

Without a dependable car, the 36-year-old single mother of three in Rochester, New York, had to spend more than 90 minutes taking two buses to her nursing job only 10 miles from her house. In the winter, the busses sometimes ran late or didn't show up.

On the home front, her 15-year-old son's asthma sometimes forced late-night trips to the hospital. During one of his episodes, her beat-up car wouldn't start, forcing an anxious wait for an ambulance.

Saddled with high credit card debts, Joseph had poor credit and no access to affordable car loans, despite holding down a steady job for years. At the urging of a friend, she turned to WtW, hosted by the Catholic Family Center, the biggest nonprofit organization in Rochester.

She had never taken out a loan before and remained skeptical about the regular payments, but a WtW counselor helped her overcome her doubts.

Joseph was approved for a $3,000 loan that allowed her to buy a dependable used van. The monthly payment of only $134 was manageable.

Today, the van is almost paid off and Joseph's life is less stressful. Getting to work takes only 20 minutes, giving her more time at home, and her son's medical emergencies can be handled easily.

"With the help of WtW, I'm doing it on my own," Joseph says.

With her loan all but paid off, Joseph is planning on a new loan in 2007, this time to purchase a van with four doors instead of three. A larger goal has become reachable, Joseph believes.

"Probably next year I'll work on getting a home," she says. *"I'm just taking it one step at a time."*

Access to transportation is a problem for many in Rochester, particularly for home health aides, who are paid by the hour and move from home to home to care for patients. *"If they don't have a car, they may not be able to pick up enough shifts to support themselves,"* says Rick Burgholzer, who runs the Rochester WtW program. *"And some of the clients are in the suburbs, where the busses don't go."*

The Case of David

David Turner, a 36-year-old real estate maintenance technician in Pittsburgh, used to have a nightmarish commute on three different buses to get his two children to school and day care and then get to work. It was particularly difficult on blustery Pittsburgh winter days.

With few financing options due to a poor credit history, Turner applied to WtW, hosted by Family Services of Western Pennsylvania.

Before he received the loan, WtW required Turner to attend a three-hour class on financial basics such as household budgeting and the importance of improving a credit score. He found a used van that he bought after he paid for a mechanic to inspect it, as required by the program.

Buying a van through WtW allowed Turner to hold on to a job that requires him to make emergency repair calls in the middle of the night—and also to spend more time with his two young daughters.

"Having a car has been a very big help to me, and to the entire family," says Turner. He knows that paying off the loan is also helping him build a better credit rating.

"WtW helped me repair my life, not just my credit," he says.

The Pittsburgh office serves residents of seven counties. Gwen Porter, the WtW loan officer, says the clients she deals with have poor credit. *"They can't get approved for a loan because their credit is bad. Nobody is giving them a chance,"* she says. In many cases, their only car-financing options are predatory lenders charging onerous financing interest rates that routinely top 20 percent. *"They're paying a large dollar amount down and then larger payments,"* Porter says.

When they come to WtW and learn the terms of the program's loans, they are surprised. *"They say, 'Really?'"* Porter says. *"They are so happy to find an affordable loan."*

WAYS TO WORK BACKGROUND

(Provided by WtW, Inc.)

WtW, Inc. is an innovative program that provides small loans to low-income families who cannot obtain fairly priced loans through traditional lenders. The loans are most often used for the purchase of a used car or the repair of a car the applicant already owns.

Far from being a luxury item, in our society, a car often is a necessity for getting or keeping a job. In urban areas, public transportation systems typically aren't capable of meeting everyone's needs—particularly in the case of low-income workers who work night shifts or have multi-point commutes to jobs, daycare and school. In rural areas, public transportation alternatives are rare. A car can help struggling families to find and keep employment, regularize their lives and finances, and transport their children to child care, school and youth activities. It can help families move along the path to self-sufficiency and a brighter future.

WtW is a Community Development Financial Institution (CDFI), based in Milwaukee, Wisconsin. With loan offices located across the United States, it provides families with an alternative to predatory lenders who otherwise may lead them into buying unreliable, poor quality vehicles at interest rates of 30-50 percent or more.

WtW loan offices are hosted by members of the Alliance for Children and Families. The Alliance is a network of nonprofit, human service providers that offer a broad range of programs and services that are compatible with—and complementary to—the mission of WtW.

Background and History

WtW was established by the McKnight Foundation in 1984, as a temporary loan program to help poor, single mothers contend with unexpected expenses that might otherwise cause them to drop out of the workforce. Originally called the Single Parent Loan Program, and then the Family Loan Program, the effort was located at sites throughout Minnesota.

When McKnight partnered with the Alliance for Children and Families in 1996, loan offices were established outside Minnesota. This strategic partnership allowed the Family Loan Program to co-locate with established Alliance agencies and leverage those organizations' resources, networks and local credibility. It also enabled the national replication of the approach that had proven to be successful in Minnesota.

By 1998, when the Family Loan Program changed its name to WtW, and incorporated as a sister 501(c)3 organization to the Alliance, there were 17 loan offices in 14 states. McKnight committed an additional $5 million to WtW under a 10-year demonstration program to expand the program nationally and prove the merits of the model. Bank of America joined McKnight in the demonstration by providing $8 million in low-interest debt capital to WtW.

In 1999, WtW, Inc. was certified by the U.S. Department of Treasury as a CDFI and received a $2 million grant from the CDFI fund. Also that year, the U.S. Congress appropriated $1 million in Department of Transportation funds for WtW programs in Alabama. This funding, and an additional $14 million in federal grants over the next five years, spurred a period of accelerated growth, with new and expanded WtW offices springing up across the country.

Today, WtW has nearly 50 offices in 25 states. Through 2005, it has helped more than 23,000 families improve their financial stability through $36.4 million in loan funds used for work-related purposes.

The *Ways to Work* Approach

WtW is geared toward families who have demonstrated that they are ready to move forward by getting and holding a job and taking on the responsibility of obtaining and paying back a loan. All loan applicants are required to realistically assess their financial situation and to develop a monthly family budget with the assistance of their loan officer. The importance of a good credit rating, and credit repair strategies and techniques, are particular areas for emphasis during the application process.

Financial literacy training is key to the WtW model — the primary goal of the program is for borrowers to pay off their loan, in full and on time, and move on to be financially successful when their WtW experience has come to an end.

Here is the way the process works: A member agency of the Alliance for Children and Families hosts each loan office. The member organization provides staff, office space, supervision and the annual operational funding. Although each office belongs to the national WtW network, they are local programs and can differ somewhat in their approach as appropriate to their community's characteristics and the specific needs to which they are responding.

About 95% of all WtW loans are made for the purchase of used vehicles. A small number are made for items that can help to improve job prospects or advancement, such as uniforms, books, tools or equipment, and other work-related expenses, or to fill in gaps where no other funding is available. The loans are marketed and applications are processed by local WtW staff.

When an applicant has met all program criteria and provided all the required information, a decision on the loan application is made by a local, volunteer loan committee. A WtW loan officer presents the applicant's information to the loan committee which then makes the decision based on their assessment of whether or not they believe the applicant will meet repayment requirements. The loans are made on two-year terms.

When a loan is approved, the information is transferred to a local bank partner who completes the loan process and provides the funds. WtW guarantees the loan, and makes capital available to its local Alliance host for loan collateral with the local bank partner. The cash collateral deposit at the local bank earns interest to offset costs to the agency and includes a degree of risk sharing in the rare event of severe loan losses within the program. In most cases, the local WtW loan officer handles most direct collection activities that might arise.

The national WtW office facilitates the replication of the loan program across the nation. National management and staff work closely with local Alliance member organizations during the program development stage, and the national office provides access to loan capital, customized software, training, and technical assistance. WtW also monitors performance benchmarks and provides comprehensive oversight to support local agencies in managing their loan portfolios and overall program performance.

WEBSITE INDEX

Alliance for Children and Families
www.alliance1.org

ADX Creative
www.adxcreative.com

Bank of America, Community Development Banking
www.bankofamerica.com/community

B&D Consulting
www.bakerdconsulting.com

The Annie E. Casey Foundation
www.aecf.org

The Hatcher Group
www.thehatchergroup.com

The John S. and James L. Knight Foundation
www.knightfdn.org

The McKnight Foundation
www.mcknight.org

OMG Center for Collaborative Learning
www.omgcenter.org

U.S. Department of Transportation,
Federal Transit Administration
www.fta.dot.gov

U.S. Department of the Treasury, CDFI Program
www.cdfifund.gov

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