

How Impact Investors Alleviate Poverty By Funding Affordable Car Loans



Left, Michelle Corson, founder and CEO at On The Road Companies
Sutton Pictures/John B. Sutton, Jr.

Michelle Corson, a finance professional, wanted to use her skills for social good.

“I got into my middle years and decided I wanted to use the skills and knowledge that I developed for some good purpose,” she exclaimed. “I wanted to use finance in a positive way and champion the idea of impact investing in Texas to solve some social problems.”

When she looked around, she saw that people were unable to get better jobs, access good food, or take their kids to the doctor—all because they lacked transportation to get them there in a time-efficient way. Corson focused on helping working Americans get affordable loans to buy newer cars that are fuel efficient and with low mileage. Newer cars are less

likely to break down and if they do are under warranty.

Transportation is crucial to escaping poverty, writes Mikayla Bouchard in *The New York Times*. For the vast majority of Americans, having a car is essential to economic equality. Most of the country does not have dependable public transportation, making timely travel difficult for some working Americans.

Back in 2011, when Corson founded Champion Impact Capital, impact investing was an emerging field. Champion Impact Capital is an advisory company that helps governments, investors, and entrepreneurs find finance strategies that solve social issues. “It took awhile for people in our community [Texas] to embrace the idea that investing didn’t have to be either maximum profit or zero profit,” said Corson. “You could do good and make a profit at the same time.”

If Corson was going to solve the transportation problem for low-income families, she needed to build an ecosystem. Founded in 2013, On the Road Lending provides vehicle-selection assistance and long-term financial mentoring. It helps people improve their credit. On the Road Sustainability Funds, a sister company, offers affordable loans to purchase fuel-efficient, reliable cars. On the Road Lending also helps people find affordable, under-warranty, and fuel-efficient cars.

On the Road Sustainability Funds are Community Development Financial Institutions (CDFI), certified by the U.S. Department of the Treasury. They provide financial services in low-income communities and to people who lack access to financing. Virtually all of the more than 1,200 CDFIs offer loans for affordable housing and to small businesses, and most are nonprofits. Only a few provide consumer loans. On the Road Sustainability Funds is a for-profit company that offers below-market auto loans for late model, fuel-efficient vehicles for working families. For institutions and individuals who care about making both a social impact and a financial return on their investment, CDFIs are a good investment opportunity.

Over time, On the Road Companies, the umbrella entity, began to scale geographically. On the Road Companies is a family of for-profit and nonprofit social enterprises. It is now in Texas, Mississippi, Alabama, and Georgia. It will be expanding in the next 30 days into Arizona, Illinois, and Indiana. In the early part of next year, it will go to Ohio, Kentucky, and Tennessee.

On the Road Companies also expanded its strategy to include other vertical integrations. A couple of years ago, it launched two additional entities: On the Road Garage and On the Road Motors.

On the Road Garage does collision repair and has a workforce training program. “We’re building out the workforce of the future by training vulnerable groups to have the skills to fix smart car technology,” said Corson. It provides paid apprenticeships that train people on collision repair, advanced driver assistance systems, and other smart car technology. These are high-wage and in-demand jobs. Skilled body tech workers can make \$150,000 a year without a four-year college degree. “We have two facilities in Dallas and are getting ready to do a bond issuance to expand to about ten more... We’ll do a \$109 million sustainability bond that BNY Mellon is issuing.”

On the Road Motors is a Texas car dealer. “We’re not a retail franchise like a Toyota dealer,” said Corson. It sources cars for On the Road Lending clients directly at auction or off lease, providing a lower-cost option for working families.

“Our clients are transportation challenged,” said Corson. “We’re not asking them to come to our office and meet with us. We do all of our work with people through technology, including the phone,” said Corson. People can even buy a car from the comfort and safety of their homes.

“The hardest part on our lending side is that the predatory lenders have deeper pockets than we do for advertising,” said Corson. “And they’re everywhere in lower-income communities.” As mission-based lenders, CDFIs don’t have the resources that payday loans, title loans, or check-cashing services companies have to be visible in low-income communities. While community lenders and most banks are familiar with CDFIs, awareness among borrowers and investors is low.

Interestingly, when the media covered that CDFIs were helping to distribute Payroll Protection Program (PPP) loans to small businesses to alleviate some of the economic shock of Covid-19, awareness and credibility of this financing option among consumers increased. Media coverage is an important way that CDFIs build awareness and credibility as a trustworthy and affordable financing option.

On the Road Lending has also received a grant from the Toyota Finance Service to develop a blockchain platform that will reduce the cost of originating loans. “It will enable us to onboard and underwrite applications much more efficiently,” said Corson. “Using the platform will free up some money for advertising.”

“We’ve had financial challenges over the years,” Corson. “One of our nonprofits really had a hard year last year during the pandemic.” Transportation wasn’t considered to be a basic need, so raising philanthropic dollars was difficult. The reality is that most of the On the Road Companies’ clients are essential workers and front-line workers. They need to drive to get to their jobs.

The ultimate goal is that revenue from the CDFIs will replace the need for grants. “Realistically, we probably have three or four years to go before we can have the level of volume to be self-sustainable,” said Corson.

How will you do good while making a profit?