Promise.

Payment Plans for Parking Debt

A case for payment flexibility in parking enforcement and its impact on compliance and collections.

The fiscal implications of Covid-19 have been extensive and enduring for governments and their constituents. This has further complicated the challenges traditionally associated with the recovery of civic debt. The cost and collections of delinquent fines has had both economic and social implications for agencies and individuals alike. Now may be a time for cities to reevaluate their practices and policies to understand if they can better align with consumer's fiscal realities.

Promise believes most people want to pay, they just may not be able to pay today. So we set out to prove this with a pilot program in parking.

Backstory

Promise was founded in 2017 to address chronic recidivism in the criminal justice system. Our initial product launch focused on navigating the complex network of government processes and systems. Our goal was simple: create a unified user experience that connected clients with their court mandated obligations.

As we worked with more and more government institutions, it became clear that one problem consistently stood in the way of client success: payments. Delinquent payments and the associated fines, fees and collection costs have led to growing debt burdens that perpetuate an individual's state of non compliance.

More importantly we recognized it was not a question of willingness to pay but often of the ability to pay - how, when, where. These observations informed our belief that a modern payments platform, offering flexibility and designed around client engagement can drive payment compliance for government services.

Overview

Promise conducted a direct lending pilot program for parking debt in three major markets to measure the willingness and ability of individuals to pay. Between

August 2019 and March 2020, Promise offered payment plans to individuals with the following goals:

- Evaluate the repayment rate for unsecured consumer debt issued to resolve a civic obligation
- Observe the means and methods of payment options used by consumers
- Assess the impact of payment flexibility on repayment rates

We selected three trial cities — Oakland, CA, Philadelphia, PA and Dallas, TX — that supported large parking infrastructures.The cities were geographically diverse and each represented broad socioeconomic populations. Promise placed digital ads in the target markets and users were directed to a Promise branded portal unaffiliated with the selected city.

- Applicants were offered various payment options and installment periods to allow for the repayment of violations on more convenient and affordable terms.

- Applicants were presented with a low or no interest-free loan for the payment of outstanding violations

- All debts were unsecured and non-recourse

- Applicants could initially elect between 1 and 12 payment installments; later limited to up to 6 payment installments

- Applicants could elect to pay any number of identified violations

- Loan amounts were limited to $500 after the first 30 days of the program

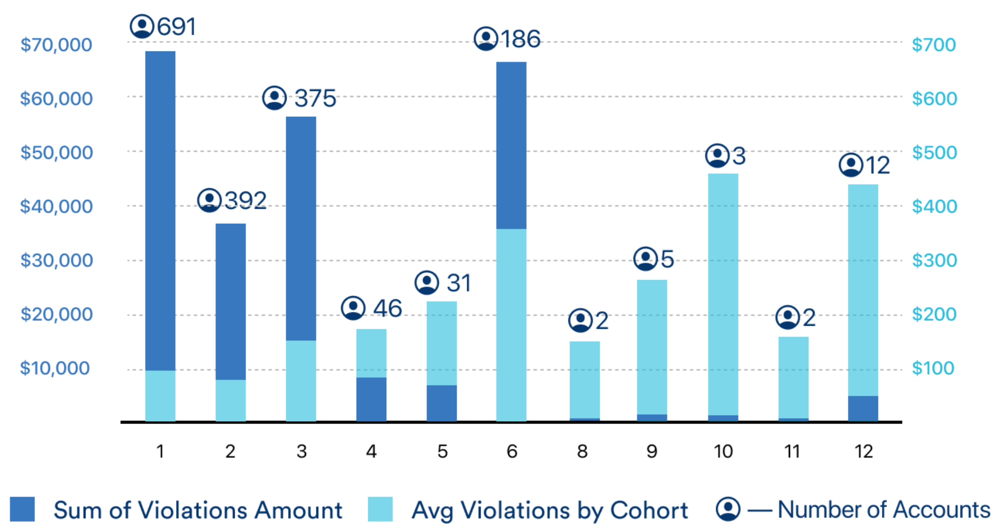
- Payments could be made through credit, debit, Venmo, Cash App, and in-person cash transactions

Successful applicants were provided a monthly payment schedule, text reminders, notifications and on demand support. Payment modifications and extensions were granted for clients that requested assistance. Promise proactively engaged clients through the completion of their payment plan.

Performance

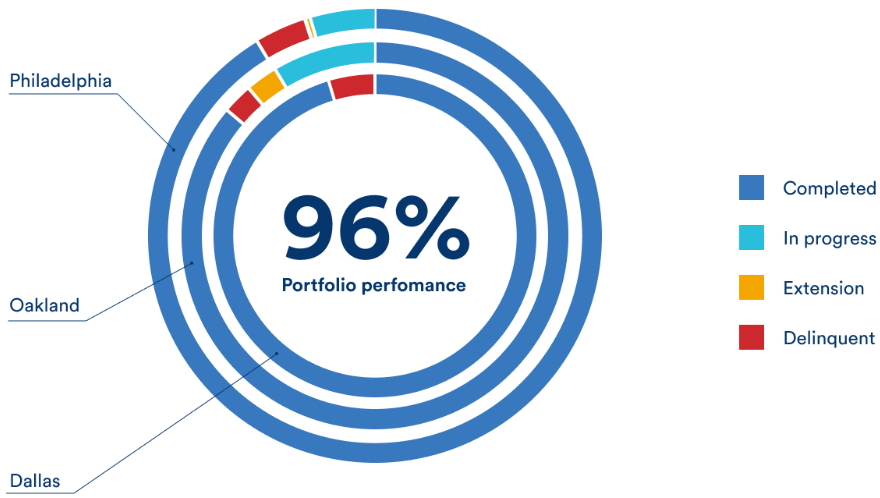
During the pilot program Promise facilitated payments for 1,778 individuals who collectively owed $263,982 for 2,754 outstanding violations While the metrics varied slightly by city, the average amount due and number of citations per account were $152 and 1.5 violations respectively.

The average repayment period for the entire portfolio was 2.5 months and 3.5 months for accounts that elected multiple installments. Nearly 40% of users satisfied their summonses immediately with a single payment accounting for 25% of the outstanding debt. Another 40% of users chose to complete their plan within three months with the remaining 20% extending six months and beyond. The number of repayment periods selected correlates highly with the total fines owed by the individual.



Installment length of the contract

To date, 88% of the advanced principal has been repaid and we expect a total portfolio repayment rate of 96% based on the performance of the remaining accounts in good standing. We have classified 4% of the capital at risk of default as represented by accounts currently delinquent or granted an extension. Many of the non-performing accounts are individuals facing acute financial hardships and are unlikely to pay in a timely manner.



Portfolio performance by city and status

In absolute terms, **Promise has seen 95% of accounts repaid in full, with 98% performing to plan.** 1,687 out of 1,778 accounts have completed their payment plan with an additional 58 still in progress.

Observations

How convenience impacts payments.
Nearly 40% of all accounts elected to pay their violations in a single installment. For this cohort, the motivation was not directly tied to a financial stress. This leads us to believe users found it easy to find the Promise website and pay.

The ability to collect on aging citations.
The average citation age for all violations was 92 days. Violations delinquent for more than 6 months represented 25% of the portfolio, with the oldest violation collected issued just under 10 years ago. This would suggest that optionality as opposed to pure enforcement can drive behavior change.

A profile of how people pay.
Clients used the following payment methods to fund their installments — debit (76%), credit (13%), prepaid (8%), Cash App (3%). Users over-indexed debit and under-indexed credit by more than 10 percentage points when compared to payment preference polls. This would suggest limited access or availability of credit for this population. The use of prepaid cards is often associated with unbanked populations subject to extensive fees.

Implications

As cities begin reopening, we believe this is a unique opportunity to rethink their standing practices and widen the ability for jurisdictions to collect payments.

This is particularly true for Parking Managers where there will be increasing pressures to generate current revenue and recover delinquent debts. Typical enforcement life cycles (violation issuance → notices → late fees → towing → hard collections — traditionally yield 70-75% collections on average. We believe the incorporation of a flexible, engagement based payment structure can increase parking income while affording the city multiple benefits.

Public Relations

Cities can gain much goodwill by addressing the economic hardships of its constituent base by offering alternative options for debt repayment.

Increased Compliance

Conveniences such as click-to-pay, cash networks and installment plans can lead to improved payments.

Worker Safety

Contactless payments and reduced foot traffic can be accomplished through alternative payment networks without sacrificing ***customer accessibility.***

Efficient Collections

Providing options for voluntary compliance can be much more cost effective than traditional means of enforcement and/or third party collection of delinquent debts.

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