"Foreclosure on Wheels": Key Report Takeaways

- The Port of Long Beach – which, together with the Port of Los Angeles, handles 40% of U.S. imports – is partnering with Daimler Truck Finance to create a seven year lease-to-own program for Long Beach's port truck drivers. The program will allow independent port truck drivers, who make on average just $10-12 an hour, to buy environmentally-compliant trucks regardless of their creditworthiness or ability to pay.
- The Daimler/Long Beach program is financially unsound. It places low-income drivers at a high risk for default. Daimler itself estimated that "over 40%" of drivers would have a "high difficulty meeting the payments." [Daimler's financing program at the neighboring Port of Los Angeles avoids this pitfall by offering loans exclusively to well-capitalized trucking companies.]
- Currently, 80% of port truck drivers have no monthly truck payment. The Daimler/Long Beach scheme will saddle drivers with a new truck payment of $500 to $1,000 per month for seven years, and then follow that with a balloon payment of between $7,000 and $15,000.
- Daimler's stated rationale for its projected successful participation in the program (despite the high expected default rate) is the company's strength in repossession.
- Comparison to the sub-prime mortgage crisis are these: low income drivers will be pushed into a long term commitment to an asset they may not be able to afford—under rapidly changing, and disadvantageous, economic circumstances.
- Further, banks and lending experts correlate higher levels of loan delinquencies to larger vehicles used for work purposes and in loans or leases with long loan terms (longer than 60 months). *The Daimler/Long Beach lease scheme term is 84 months.*
- Predatory lending disproportionately impacts communities of color. Experts estimate that 50% of mortgages made to Latinos in 2006, for example, were sub-prime. Latinos account for 26% of sub prime mortgages (they are 15% of the U.S. population), and are also 93% of the Long Beach port truck driving workforce.
- Even in periods of relative stability, port trucking is barely a break-even business for drivers. Now is *not* a time of economic stability for Long Beach drivers.
- Several critical economic challenges to drivers and the industry make this moment a particularly risky one for port truck drivers to assume the Long Beach loan:
  - Sky rocketing diesel fuel prices.
  - Decline in import volume in West Coast ports.
  - Long Beach faces the threat of recurrent environmental litigation, further limiting drivers' earning potential.
  - Long Beach independent contract drivers will lose half of the port market as the Port of LA's Clean Trucks Program requires trucking companies to hire their drivers and take responsibility for the trucks.
  - Persistent labor unrest, linked to chronic job instability, affects the drivers that haul Long Beach cargo.
- In summary, we recommend that Long Beach and Daimler follow the lending model being implemented in Los Angeles. Shifting the risk and responsibilities to companies, away from hard-pressed drivers, is a fiscally more responsible – and more humane – strategy.