



Starting an IDA Program

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2011 Northeast Family Strengthening Conference

Richmond, Virginia

September 26, 2011

My Mission

"I thought it would be useful for participants to learn about your new TANF IDA, in particular what went into the decision to do it, the issues it addresses, the resources and procedures involved, the outcomes expected and the like. The idea is to help people think, for example, about their work with TANF recipients in ways that include this and other asset-building tools, to go home to coordinate resources and services when possible."

Anne Yeoman
ASSET Consultant
Region III

How To Get Started

- Analysis- Does the IDA program work?
- How would it affect other Benefits?
- Gaining Approval from Decision Makers
- Who's going to operate the program? In-house or Contractor. Go Statewide or as a Pilot
- Developing a Budget- How much will it cost?
- Measurements and Expectations

Does this Program Work

A review of the effectiveness of IDAs was conducted by the American Dream Demonstration(ADD) from 1997 to 2001; this survey encompassed 14 IDA programs across the country. The ADD survey was organized by CFED, conducted by the Center for Social Development, and funded by various philanthropic foundations. The following statistics demonstrate that IDAs can help low-income Americans enter the financial mainstream and build assets:

- One in five IDA participants was unbanked when joining the program.
- About 50 percent of participants were “savers”; that is, they not only opened accounts but made periodic deposits of at least \$100.
- The average time of participation in IDAs was 24.5 months.
- The average amount that participants placed in the accounts was \$528.
- With matched funds, the average participant had accumulated a total of \$2,755.
- Approximately one-third of the participants had made a matched withdrawal.

http://www.fdic.gov/bank/analytical/quarterly/2007_vol1/IDAs-and-banks.

19 States operate a TANF IDA programs
based on FDIC data at:

http://www.fdic.gov/bank/analytical/quarterly/2007_vol1/IDAs-and-banks.html

West Virginia will soon offering the IDA by 10/1/11.

Is your state interested in developing an IDA Program?

States with Operational State-Supported IDA programs (a)	Other States That Have Established IDA Policy (b)
Arkansas Connecticut District of Columbia Indiana Kansas Louisiana Maine Michigan Minnesota Missouri New Hampshire New Jersey North Carolina Oregon Pennsylvania South Carolina Vermont Virginia Washington	Arizona California Colorado Florida Hawaii Idaho Illinois Iowa Maryland Montana New Mexico Oklahoma Puerto Rico Tennessee Texas Utah

Source: State IDA Policy Summary Tables, Center for Social Development, February 28, 2007.

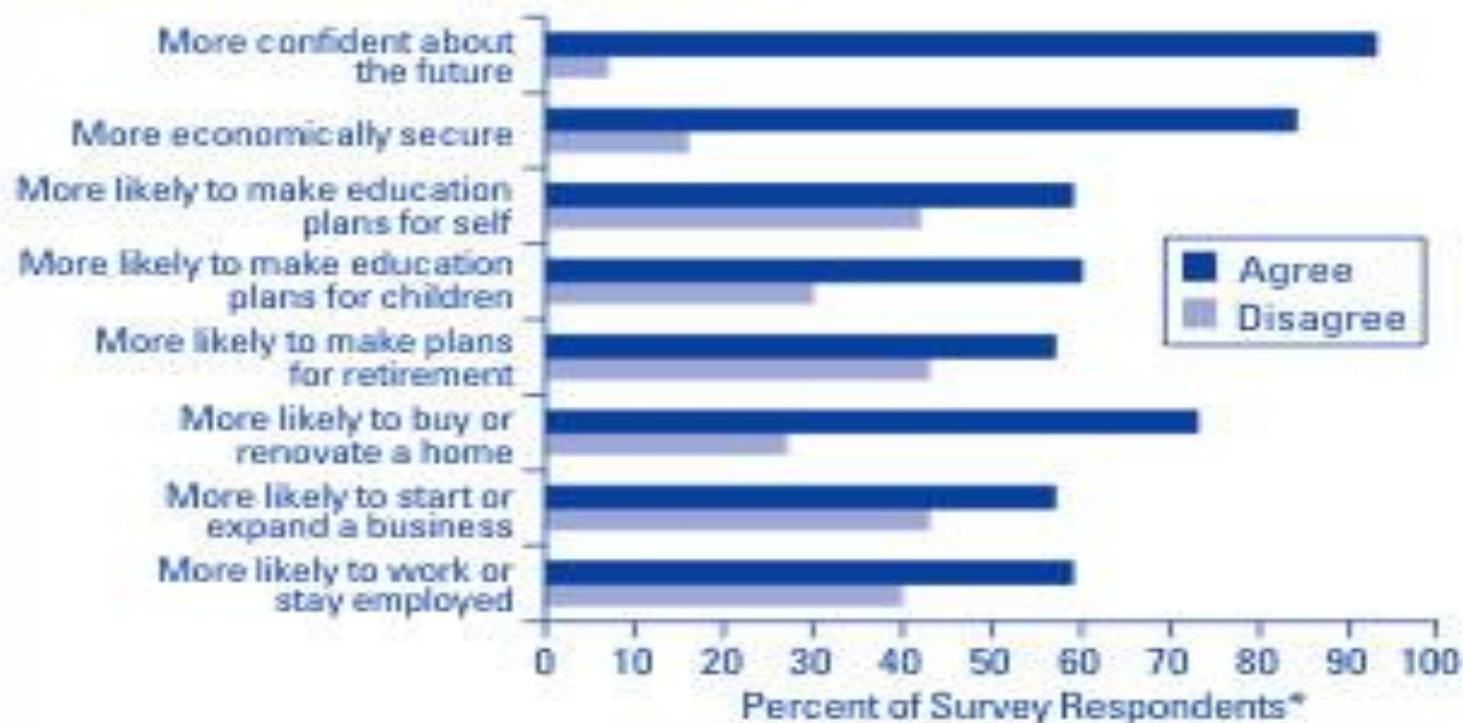
Notes:

- a. These states are supporting IDA programs developed from policy or administrative rulemaking.
 - b. These states have passed IDA policy but are not currently developing or supporting IDA programs.
- IDA programs are generally created by nonprofit

http://www.fdic.gov/bank/analytical/quarterly/2007_vol1/IDAs-and-banks.html

IDA Participants Perceive Positive Economic Effects

"Because I have an IDA, I am/have..."

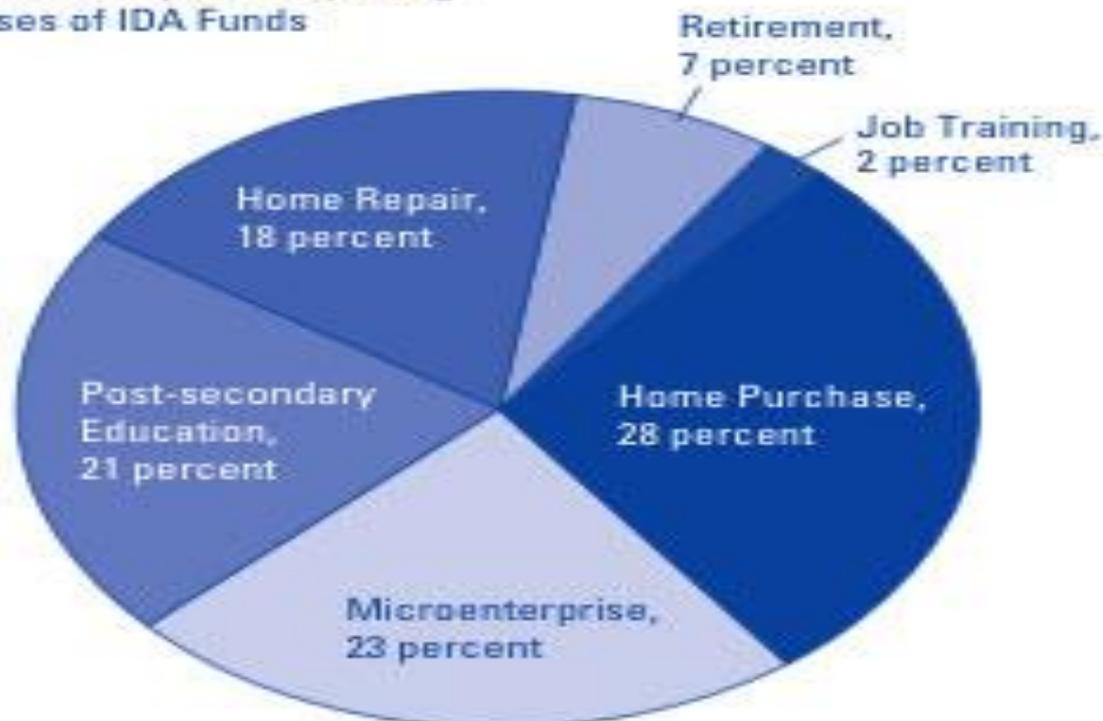


Source: Amanda Moore McBride, Margaret Lomba, and Sondra G. Beverly, "The Effects of Individual Development Account Programs: Perceptions of Participants," Center for Social Development Working Paper 03-06, 2003.

* Data based on 298 completed surveys of IDA participants at six American Dream Demonstration sites.

IDA Participants Used Their Assets Most Frequently to Buy Homes, but Also Made Withdrawals for Home Repair, to Pay for Education, and to Fund Small Businesses

Percent of Participants Reporting Actual Uses of IDA Funds



Source: Mark Schreiner, Margaret Clancy, and Michael Sherraden, "Saving Performance in the American Dream Demonstration Final Report," October 2002.

Note: Data reflect American Dream Demonstration participants who had made a matched withdrawal as of December 31, 2001.

Does it affect other Benefits?

Q5: May a State use Federal TANF (or State MOE) funds to help pay for an IDA program under which car purchases are a qualified expenditure?

- **A:** Section 404(h) of the Social Security Act authorizes the use of Federal TANF funds for IDAs. Under this provision, postsecondary educational expenses, a first home purchase, and business capitalization are the only "qualified purposes" for account funds. Similar language governs use of IDA funds under the demonstration program authorized under the "Assets for Independence Act." Thus, neither of these programs permits the use of IDA assets for the purchase of an automobile (except in the limited circumstances where an automobile would qualify as a business capitalization expense).
- However, in light of the broad general flexibility under TANF (i.e., section 404(a)(1)), a State may use Federal TANF funds in other types of IDAs or asset-building programs that permit car purchases as qualified expenditures and support TANF purposes. In other words, a State could use TANF funds to match the savings of a needy parent for any purpose that is reasonably calculated to accomplish one of the TANF goals. The State would have broad discretion in determining the allowable purposes for the savings, the appropriate match rate, and the other conditions and circumstances under which it will match savings.
- It is important to note that section 404(h)(4) provides that funds in an IDA account operated under section 404 of the Act would be excluded in determining benefits under Federal law. Likewise, funds in an IDA established under the Assets for Independence Act (AIA) are excluded. Section 415 of the AIA, as amended on December 21, 2000 (see P.L. 106-554, the Consolidated Appropriations Act of 2001, Title VI, section 610) excludes funds in an IDA established under AIA for so long as an individual maintains or makes contributions to the account.¹

Does it affect other Benefits?

Cont.

- If a State operates an IDA under a different authority, e.g., under State law, the IDA assets would not automatically be excluded in determining such benefits. A State would have to separately examine the policies in effect under these benefit programs and see what flexibility they would have to continue benefits to families, notwithstanding the receipt of IDA income or accrual of IDA assets. For example, (1) States may disregard IDA funds from income and resources under their TANF programs; and (2) States have authority under section 1931 of the Act to use less restrictive income and resource policies in determining Medicaid eligibility under that section. There are also several provisions in the food stamp rules (e.g., the provision of categorical eligibility to TANF recipients) that States might use to protect families from losing these critical means-tested benefits.
- A State may also use MOE funds to match the savings of a needy parent for any purpose that is reasonably calculated to accomplish one of the TANF goals. Thus, it may use MOE funds to: (1) provide supplemental funds to an IDA authorized under section 404(h); (2) provide supplemental funds (i.e., funds in addition to any State funds provided to meet cost-sharing requirements) to an IDA program authorized under the Assets for Independence Act; or (3) fund a State-designed program. Under a State-designed program, the State would have broader discretion in determining the allowable purposes for the savings, the appropriate match rate, and the other conditions and circumstances under which it will match savings.

<http://www.acf.hhs.gov/programs/ofa/polquest/idas.htm>

Gaining Approval from Decision Makers

“It wasn’t easy”.

Dan Hartwell

Not that management was opposed to it; they had to be reassured that it was the right thing to do and that it could be done correctly.

Who's going to operate the program? In-house or Contractor?

Suggestion: Find a partner that already knows how to do it.

We were fortunate to be able to partner with The Kanawha Institute for Social Research & Action, Inc. (KISRA)- (also a Conference Partner here this week)

The Kanawha Institute for Social Research & Action, Inc. (KISRA) was established as a 501(c)(3) organization in 1993 by Ferguson Memorial Baptist Church. KISRA's mission is to serve and empower West Virginians through education, employment, economic empowerment and behavioral health initiatives.

This West Virginia-based organization has five locations - Dunbar, Kanawha County; Huntington, Cabell County; Beckley, Raleigh County; Oak Hill, Fayette County; Princeton, Mercer County. KISRA serves children, youth, adults and families of West Virginia.

Our Vision

Our vision is that communities in West Virginia will be strong and self-sustaining.

Our Core Values

Collaboration

Commitment to Excellence

Continuous Improvement

Faith

Integrity

Respect for All People

Spirituality

<http://www.kisra.org/index.php>

What is an IDA? IDAs, or Individual Development Accounts, are special matched savings accounts designed to help families and individuals of modest means establish a pattern of regular saving and, ultimately, purchase a "productive asset." A "productive asset" is something of value that is likely to return substantial long-term benefits to its owner-- benefits like security, stability and opportunities for more income. WVIDA program participants may use their savings and match money toward the purchase of a home, small business capitalization or post-secondary education.

What is a “savings match?”

A "savings match" is a promise to supplement an IDA participant's savings deposits at a specific rate; in other words, a 3:1 savings match means that for every dollar a WVIDA participant saves, he or she will have another 3 dollars added to his or her total account balance up to \$4,000 (up to \$1,000 by Customer and up to \$3,000 by KISRA).

<http://www.kisra.org/index.php>

Is there more to an IDA Program than just savings matches?

Absolutely. Most people need more than just cash to become successful homeowners, entrepreneurs or college or vocational school students. For this reason participants in the WVIDA Initiative attend both a twelve part personal finance and money management workshop series and special asset-specific preparation classes. These workshops are designed to help participants acquire or polish the personal and financial skills that are essential for long-term success, skills like long-range planning, household budgeting, credit repair and savvy consumer habits.

Who is eligible to participate?

The WVIDA Initiative is open to West Virginia individuals or families whose income is less than 200% of the federal poverty level. TANF recipients are automatically eligible.

What is required of IDA participants?

IDA participants are asked to commit to:

- make monthly savings deposits of at least \$25
- save in the program for at least 6 months
- attend a personal finance and money management workshop series
- participate in asset-specific ownership preparation training
- support one another through on-going peer support meetings

<http://www.kisra.org/index.php>

What about making savings withdrawals?

Because IDAs are intended to help people purchase productive assets, withdrawals for non-asset uses are strongly discouraged. However, in certain emergency situations, program participants may withdraw some of their savings before they are ready to purchase their chosen asset goal. Such withdrawals would not include savings matches. And, of course, participants are always free to close their accounts, withdraw from the program and receive all of their savings and earned interest.

How do participants receive match funds?

Matched funds will be made available to participants when they are ready to purchase an asset. At that time a vendor check will be issued directly to the company, institution or individual furnishing all or a part of a participant's asset goal (a mortgage company, home inspector, wholesale supplier or community college, for example).

<http://www.kisra.org/index.php>

Developing a Budget- How much will it cost?

A. Personnel	\$28,000.00
B. Fringe Benefits	\$6,862.00
C. Equipment	
D. Supplies	\$2,800.00
E. Contractual Costs	
F. Construction	
G. Other	\$83,595.00
Total Direct Costs:	\$121,257.00

Measurements and Expectations

At least 70 Temporary Assistance for Needy Families (TANF) recipients or other low income WV residents will be served.

At least 80% of participants will complete six months of saving.

At least 80% of participants will show an increase in knowledge about financial matters after completing the financial fitness training.

At least 90% of program participants will use their savings and match money towards an appreciable asset by the end of program participation.

Reporting Requirements

- Number of referrals received by county.
- Number of referrals accepted by county.
- Number of group training sessions.
- Number attending each session.
- Number of individual counseling sessions.
- Number of individuals participating in counseling sessions.
- Number of individuals completing 6 months of savings.
- Number of individuals completing 12 months of savings.
- Number of individuals completing the program for home ownership.
- Number of individuals completing the program for business.
- Number of individuals completing the program for post secondary education.

EDUCATIONAL SERVICES ACT OF 1998

Public Law 105-285

105th Congress

TITLE IV-- ASSETS FOR INDEPENDENCE

Assets for Independence Act. 42 USC 604 note

(5) INDIVIDUAL DEVELOPMENT ACCOUNT.--

- (A) IN GENERAL.--The term "individual development account" means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an eligible individual, or enabling the eligible individual to make an emergency withdrawal, but only if the written governing instrument creating the trust contains the following requirements:
 - (i) No contribution will be accepted unless the contribution is in cash or by check.
 - (ii) The trustee is a federally insured financial institution, or a State insured financial institution if no federally insured financial institution is available.
 - (iii) The assets of the trust will be invested in accordance with the direction of the eligible individual after consultation with the qualified entity providing deposits for the individual under section 410.
 - (iv) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.
 - (v) Except as provided in clause (vi), any amount in the trust that is attributable to a deposit provided under section 410 may be paid or distributed out of the trust only for the purpose of paying the qualified expenses of the eligible individual.
 - (vi) Any balance in the trust on the day after the date on which the individual for whose benefit the trust is established dies shall be distributed within 30 days of that date as directed by that individual to another individual development account established for the benefit of an eligible individual.

SEC. 408. ELIGIBILITY FOR PARTICIPATION.

- (a) IN GENERAL.-- Any individual who is a member of a household that is eligible for assistance under the State temporary assistance for needy families program established under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), or that meets each of the following requirements shall be eligible to participate in a demonstration project conducted under this title:
 - (1) INCOME TEST.--The adjusted gross income of the household is equal to or less than 200 percent of the poverty line (as determined by the Office of Management and Budget) or the earned income amount described in section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household).
 - (2) NET WORTH TEST.--
 - (A) IN GENERAL.--The net worth of the household, as of the end of the calendar year preceding the determination of eligibility, does not exceed \$10,000.
 - (B) DETERMINATION OF NET WORTH.--For purposes of subparagraph (A), the net worth of a household is the amount equal to--
 - (i) the aggregate market value of all assets that are owned in whole or in part by any member of the household; minus
 - (ii) the obligations or debts of any member of the household.
 - (C) EXCLUSIONS.--For purposes of determining the net worth of a household, a household's assets shall not be considered to include the primary dwelling unit and one motor vehicle owned by a member of the household.
 - (b) INDIVIDUALS UNABLE TO COMPLETE THE PROJECT.--The Secretary shall establish such regulations as are necessary to ensure compliance with this title if an individual participating in the demonstration project moves from the community in which the project is conducted or is otherwise unable to continue participating in that project, including regulations prohibiting future eligibility to participate in any other demonstration project conducted under this title.

Enhancing or Supplementing the Family Income or Assets

- Make loans to needy families to provide stable housing, secure a car, or for other reasons that are reasonably calculated to meet a purpose of the program
- Create a State refundable Earned Income Tax Credit Program, using State MOE funds to pay for the refundable portion of the credit
- Fund a supplemental unemployment insurance program for unemployed workers in needy families who are not eligible for benefits under the State's regular unemployment insurance program
- Provide stipends to needy parents who combine education/training and work
- Increase earnings disregards for employed parents and adult caretaker relatives
- **Match the contributions of TANF eligible individuals in Individual Development Accounts (IDAs) developed either under the TANF provisions or the Assets for Independence Act of 1998**

http://www.acf.hhs.gov/programs/ofa/resources/funding_guide.htm#appropriate

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