

## Reauthorize the Assets for Independence Program (HR 1623): Expand Matched Savings Accounts to Enable Financial Self-Reliance

Assets for Independence (AFI) is a Federal grant program that enables community-based nonprofits and State, local and Tribal government agencies to implement and demonstrate an asset-based approach for helping low-income families build wealth to improve their financial security.

AFI incorporates financial education and matched savings into poverty alleviation strategies. As the primary source of Federal support for Individual Development Account (IDAs) programs, AFI has helped to expand IDAs from the handful of accounts in the 1990s to more than 115,000 accounts. Demonstrating that low-income families can save, buy and sustain an appreciating asset, AFI has helped tens of thousands of low-income families achieve financial self-reliance through homeownership, college education and small business ownership. This program provides a hand-up, not a hand-out. Families only receive assistance to match what they sacrifice to save on their own. Financial education is required to access the match.

In order to respond to current economic realities including limited state and philanthropic budgets, consolidation of the financial sector and the lessons we have learned from more than a decade of practice, practitioners seek to have the program reauthorized and improved. *The Stephanie Tubbs Jones Assets for Independence Reauthorization Act* (H.R. 1623) was introduced to reauthorize the program on April 15, 2011. Low-income families would benefit from critical modifications to increase AFI's utilization, ensure the success of the program and continue to provide a crucial funding source for the IDA field and the thousands of working poor families who are saving and building assets for their future. These proposed improvements were crafted based on insights from a range of key stakeholders, including AFI grantees, the IDA field at large, and policymakers at both the federal and state level. The bill includes the following changes:

### **Improve and Streamline Requirements and Opportunities for Grantees**

- Change the federal to non-federal match rate from 1:1 to 2:1. A weak economy, along with philanthropic, private sector and state retrenchment has made raising a 100% match near-impossible. CFED recommended 3:1 but that was not accepted in the House version.
- Support training costs for grantees.

### **Expand Participant Eligibility Qualifications, Savings Goals**

- Expand the eligibility standards to include 80% of Adjusted Gross Income not to exceed \$20,000 single, \$30,000 head of household or \$40,000 joint tax filer or 80% of Area Median Income. Current law is 200% of poverty and TANF eligible. This change is consistent with other federal programs targeting the same population. Current law requires two separate eligibility screenings. It also lowers participation from savers in high-cost areas.
- Increase the maximum match from \$2,000 to \$5,000 for individuals and from \$4,000 to \$10,000 for families. Home and college prices have increased substantially since 1998.
- Allow accountholders, who have unused, "earned" match funds at the end of the grant period, but who have not yet purchased an asset, to maintain their IDA (including savings and match) until they are able to acquire their asset under a twelve-month no-cost extension. This enables families to take time to find the right home to buy.

## **Revise Definitions of Qualified Expenses**

- Allow IDA matches to be invested in 529 Education Savings Accounts for children or dependents of eligible beneficiaries.
- Expand qualified education expenses to include preparatory courses and professional licensing or certification examinations.
- Allow grantees the option of verifying all post-secondary education payments themselves or requiring the payments be made directly to a qualified education (e.g. allowing students to purchase a computer from a computer store, not through the university book store).
- Expand eligible education costs to include room, board and transportation. There are financial challenges faced by students who, though recipients of tuition scholarships, are unable to attend university because of their inability to cover additional expenses which are not eligible for the match now.
- Revise the definition of a first-time homebuyer to permit people, primarily women, leaving domestic violence situations, the opportunity to buy a home even if they previously co-owned a home with a spouse.
- Expand the definition of qualified expenses for homeownership to replacement of substandard homes including replacement of pre-1976 mobile homes. Also permit home repair.

## **Develop New Partnerships, Promote Research, Encourage Innovation**

- Raise the authorization limit from \$25 million to \$75 million.
- Facilitate opportunities for tribes, governments, to apply for an AFI grant. Now, they must have a nonprofit partner which does not always exist in a community.
- Allow tribal payments under the Indian Community Development Block Grant and the Native American Housing and Self-Determination Act to be considered local match.
- Allow HHS the authority to waive any requirement found in the AFI legislation which would prohibit HHS from entering agreements with the SSA. This could allow HHS and the SSA to waive the earned income requirement in AFI and make SSI payments eligible for use.
- Qualify any existing statewide IDA program with an annual state appropriation of at least \$250,000 as eligible to receive automatic federal AFI funds.
- Promote and facilitate demonstration projects targeting specific populations, whose circumstances have made their participation difficult, including foster youth, returning prisoners and working families.
- The bill expands the types of asset research allowed, permits more than one research organization and strikes some specific research questions that are not possible without a large funding increase. CFED sought a higher research ceiling: the bill is currently 2% of appropriated funds, which is about \$500,000. We sought up to 5% but this was not accepted in HR 1623.

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