



June 29, 2009

The Honorable Tom Vilsack
Secretary
United States Department of Agriculture
Jamie L. Whitten Building
1400 Independence Avenue, NW
Washington, DC 20250

Via email: agsec@usda.gov

Re: Exempt all IDAs from asset limit eligibility in SNAP

Dear Secretary Vilsack:

The Corporation for Enterprise Development (CFED) writes to request clarification of Individual Development Accounts in the final rule regarding the implementation of the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps). We request that all individual development accounts (IDAs) - regardless of their intended asset goal or funding source - be exempt from asset test eligibility in the final rules. Since final rules for the 2002 Farm Bill were never published, this issue remains unresolved.

Individual Development Accounts (IDAs) are savings accounts matched by public and private sources that are restricted to specific savings goals such as, but not limited to, college education, starting a business or buying a first home. IDAs assist low-income families lift themselves out of poverty by building assets.

Unfortunately, the assets a low-income family builds in an IDA can make it ineligible for benefit programs, thereby undermining the goal of promoting savings, financial self-sufficiency and upward economic mobility among these families.

IDAs assist low-income families build assets and become financially self-sufficient.

Nationwide, more than 86,000 participants have saved through a matched savings account or IDA. A number of studies report significant increases in financial security for IDA participants. A recent evaluation study of the Assets for Independence (AFI) program at the U.S. Department of Health and Human Services (HHS) found significant differences between AFI participants in comparison to demographically similar non-AFI participants:

individuals and families who participated in an AFI program were 35 percent more likely to become homeowners, 84 percent more likely to become business owners and nearly twice as likely to pursue post-secondary education or training. Another study revealed that more than half of program graduates who previously received public assistance no longer received assistance after completing the program.

To date, 41% (36,000) of accountholders have made an asset purchase; of these asset purchases, 26% (9,400) were for homes, 20% (7,200) were for education, and 18% (6,400) were for small business capitalization. There were also 13,000 purchases (36%) that were made by accountholders who participate in programs, such as the Office of Refugee Resettlement's (ORR) IDA program, that allow IDA savings for other purchases. Permissible purchases include professional recertification, vehicles, home repair, computers, or transfer of an IDA to a spouse or dependent, as these are enabling assets that help families attend jobs, improve homes and increase their incomes.

Current rules governing inclusion of IDA savings in asset tests.

The underlying federal rules governing whether IDAs are counted toward the food stamp/SNAP asset test are relatively complex. Only two types of IDAs are excluded by their authorizing legislation from consideration in asset tests for federal benefit programs, including SNAP:^[1] 1) IDAs funded in whole or part by funds authorized under the 1998 Assets for Independence Act and 2) IDAs that meet the statutory criteria specified in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act and are funded in whole or part with federal TANF, state maintenance-of-effort, or federal Welfare-to-Work funds. Those funded by other sources, such as ORR, are not exempted.

The current rules present challenges to both accountholders and caseworkers attempting to determine benefits eligibility. Because many IDA programs are funded through a variety of sources, individual IDA holders may have no record of the particular funding source or authorizing legislation for their IDA. For example, ORR has funded more than 22,000 IDAs for refugees – a quarter of all IDA savers in the country. These IDAs help integrate refugees into America's financial system and become financially self-sustaining. The ORR IDA program is not automatically excluded from asset tests. In addition, in 2008, the revised Farm Bill created a \$5 million new program, the Beginning Farmer and Rancher IDA program.

Updating the Farm Bill regulations.

The 2002 Farm Bill aligned resource definitions across programs and was an important victory for those who wish to simplify the treatment of assets in SNAP. It also gave states

^[1] IRS Notice 99:44

the option to exclude all IDAs if they do so in either TANF or family Medicaid. States that take advantage of the flexibility to exclude IDAs would improve the SNAP in two ways.

- ***Simplification.*** Families and SNAP caseworkers would no longer have to determine which type of IDA the household owned. Excluding IDAs based on the account's funding source is complicated, and caseworkers may mistakenly count the assets held in excluded IDA accounts toward the SNAP asset test, potentially deeming eligible low-income families ineligible. Even when caseworkers understand the distinctions regarding the treatment of IDAs based on their funding source, families may find it difficult to obtain the necessary verification to prove that their IDA account is excluded.
- ***Improved Policy.*** IDAs can be an important tool to help low-income families build assets and make the transition toward self-sufficiency. Excluding all forms of IDAs ensures that low-income families who need food assistance from SNAP are not excluded from a financial product to help them save for their future.

Since the Farm Bill asset limit reform provision took effect on October 1, 2002, states have had full authority to exclude *all* IDAs from the SNAP asset test.^[2] They have such flexibility until the new regulations take effect. According to USDA, 29 states have used this authority to exclude IDAs from the SNAP resource test.^[3] Other states have been waiting for USDA to issue its implementing regulations before making a decision.

Unfortunately, **previously proposed regulations would restrict which types of IDAs may be excluded under the new flexibility afforded by the 2002 Farm Bill.** In 2004, USDA published proposed rules that said the exclusion could apply to IDAs so long as the IDAs were for specific purposes: "State agencies may exclude deposits in individual development accounts made under written agreements that restrict the use of such deposits to home purchase, higher education or starting a business." The preamble to the proposed regulation did not discuss this provision and provided no indication of why USDA chose to limit IDAs in this manner.

In 2003, CFED worked with others to weigh in against that limitation. There was a major letter writing campaign from groups that work on IDA issues around the nation. USDA never published final regulations on the issue. Our understanding is that the Agency was

^[2] See USDA Q&As: http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/farmbill-QAs.htm
See specific USDA guidance on resource issues:
http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/fy02_resource_issues.htm.

^[3] See USDA's summary of states' choices:
http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/conformance_options.htm

prepared to release rules at the end of the previous Administration, but was held back under the moratorium.

CFED Recommendations.

As a new Secretary in a new Administration, please simplify the IDA exclusion rules. The proposed rule was arbitrary and fails to represent the wider range of savings opportunities that some IDAs offer low-income families. We urge you to **remove the restriction that IDAs may only be excluded if deposits are restricted to the use of a “home purchase, higher education or starting a business.”**

While it is true that AFI IDAs are generally limited to these purchases, some TANF-funded IDAs, as well as privately-funded IDAs, are not. Under the proposed rule for the 2002 Farm Bill, non-TANF, non-AFI accounts that permit savings to be used for computer purchases, professional recertification, automobiles, retirement, and home repairs all would have to be counted toward the SNAP asset test. Even if an IDA could be used for homeownership, small business capitalization or post-secondary education, if it could also be used for another purpose, such as a car purchase or home repair, *all* savings in the IDA would be counted toward the SNAP asset test.

The 2004 proposed rule is highly problematic. If implemented by states, the rule would result in more complicated policy treatment of IDAs than under current practice. Caseworkers would continue to have to track IDAs by their funding source (because some IDAs continue to be completely excluded) and determine all the allowable uses of a household’s IDA funds. The proposed “simplified definition of resources” regulation would actually *add questions* to a SNAP application and increase verification requirements with respect to IDAs. Because the proposed policies would be complex, it is unlikely that many states would choose to exclude IDAs under this provision.

Congressional support for excluding all IDAs from asset tests.

Members of Congress never intended for USDA to impose such an arbitrary restriction and believed that the new resource provision would allow states to exclude all IDAs. When Congress passed the 2002 Farm Bill, Senator Leahy, then Chairman of the Agriculture Subcommittee on Research, Nutrition and General Legislation stated that with the resource provision, “States could exclude accounts that households could not readily access, such as funds that states’ TANF programs designate only to be spent for education, home, or car purchases, or other specific purposes.” While Senator Leahy wanted the IDAs to be controlled, presumably by a written contract, he did not suggest that USDA limit the IDA exclusion federally to a specific listing of one specific federal program like AFI.

And, as noted above, members warned USDA not to set unnecessary limits on the new flexibility. According to Chairman Harkin's comments during the enactment of the 2008 Farm Bill:^[4]

"Another core principle that is addressed in this bill is that building savings and accumulating assets is an important path to financial independence. Many agree that it is counterproductive to discourage savings by forcing people to liquidate their retirement savings or other financial assets when they lose their jobs and need to turn to food assistance to feed their families. Policymakers from across the political spectrum agree that asset development is important to helping low-income Americans make a permanent transition out of poverty as well as avoiding it in their later years. After all, a family does not spend its way out of poverty. Quite the opposite, most families build a path to financial security on the foundation of assets, whether it be a home, a small business, or retirement savings."

Conclusion.

The final SNAP regulations should exempt all IDAs from inclusion in the eligibility asset test. Please delete the restriction that IDAs may only be excluded if deposits are restricted to the use of a "home purchase, higher education or starting a business."

Thank you for your attention to our request. For more information, please contact Carol Wayman, cwayman@cfed.org or (202) 207 0125 or me at alevere@cfed.org.

Sincerely,



Andrea Levere
President

Cc: Janey K. Thornton, FNCS, USDA
Julie Paradais, USDA
Jeffrey Liebman, Office of Management and Budget, The White House
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Charles Brown, Office of Management and Budget, The White House
Martha Coven, The White House

^[4] <http://thomas.loc.gov/cgi-bin/query/R?r110:FLD001:S54744>