Individual Development Account Program Design Handbook:

A Step by Step Guide to Designing an IDA Program

4th Edition

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Acknowledgments

The *IDA Program Design Handbook* could not have been produced were it not for the initiative and generosity of the pioneers in the IDA field who have shared their hard-earned lessons so that others might learn. Specifically, we would like to thank the thirteen community partners in the Downpayments on the American Dream Policy Demonstration for their selfless contributions to the handbook:

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The IDA field would not exist today were it not for the groundbreaking ideas presented in Professor Michael Sherraden's seminal book, *Assets and the Poor*. We thank Michael and the Center for Social Development for a decade of tireless work, brilliant insights, and dedicated commitment to building the IDA field. We are fortunate to have had Michael, Karen Edwards, Lissa Johnson, Jim Hinterlong, Freda Bady, Ed Scanlon, Deborah Page-Adams, and Margaret Clancy as our partners every step of the way.

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- The bulk of the "About IDAs" chapter was taken from *Building Assets for Stronger Families, Better Neighborhoods and Realizing the American Dream* written by Ray Boshara of CFED, Edward Scanlon and Deborah Page-Adams of the Center for Social Development and funded by the Annie E. Casey foundation.
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- While Puchka Sahay did not contribute to this edition of the *Handbook*, she was a co-author of the first *IDA Design Handbook* and her work helped provide the foundation for this handbook.

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—Brian Grossman and Tim Flacke

Foreword

The Individual Development Account (IDA) field has undergone tremendous growth since we published the first *IDA Program Design Handbook* in 1995, and this exciting growth continues. Approximately two hundred community initiatives have emerged across the country; each year, a new level of best practice emerges. Most states have considered IDA legislation, and each year several states pass significant, multi-million dollar IDA legislation. Private and community financial institutions, always partnered with community IDA sponsors, are exerting increasing leadership, launching multi-site initiatives and beginning to see IDAs as an entry to an emerging market. The IDA movement — arguably the best evaluated economic development innovation in the nation's history — is now old enough to have generated more than 1,000 IDA holders who are providing eloquent testimony to the savings, social, economic, and psychological effects of asset-building.

The passage and funding of the Assets for Independence Act (AFIA) last year promises to bring the field to a whole new level of development. Through AFIA, the federal government has committed to match the savings of 50,000 low-income Americans and support hundreds of community and state IDA initiatives over the next five years. Now, the field must deliver.

While the progress of the IDA field to date has surprised even its most ardent supporters, its potential in the coming years is greater. We think this progress stems from two fundamental strengths: first, asset equity is an idea whose time has come; and second, individuals and institutions from all sectors of America have joined together to share their resources and knowledge and work creatively to develop an inclusive and mutually beneficial investment system.

The lessons and information contained in this *IDA Program Design Handbook* are in large part drawn from the Downpayments on the American Dream Policy Demonstration (the American Dream Demonstration, or ADD). ADD is the first large-scale test of the efficacy of IDAs as an anti-poverty/ economic independence tool. This five-year, thirteen-site, 2,000 account, $15 million demonstration not only aims to establish a core set of community-based, policy-sensitive IDA initiatives, but also seeks to create a broader learning network among the burgeoning number of community IDA initiatives, and to propel the development of inclusive investment policies at the state and Federal level. ADD is organized by the Corporation for Enterprise Development (CFED), and the Center for Social Development (CSD) coordinates a comprehensive multi-method evaluation of the demonstration.

This handbook attempts to encapsulate the lessons of ADD and other operating IDA programs, in the hope of producing a new generation of even more successful IDA programs. It is intended to serve as a reference tool for both community groups who are undertaking IDA initiatives for the first time and those who are currently running IDA programs. We believe the information that follows will be invaluable to both groups in developing and refining IDA programs. Use it well, and as you experiment in your IDA programs, please share with us any ideas that might improve this handbook in future editions.

Corporation for Enterprise Development, 2001

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Appendices

How To Use This Handbook

The *IDA Program Design Handbook* was conceived as a practical, comprehensive resource for all IDA practitioners. The advice and examples presented in the following pages come first-hand from pioneering IDA program coordinators, administrators and evaluators. This information is intended to save programs from repeating the missteps of early practitioners, thereby reducing the time, expense and frustration of building an IDA program from scratch.

It is our hope that the *Handbook* will be instrumental in creating a new generation of IDA programs that builds on the successes and lessons learned by the early IDA programs that preceded them.

Handbook Structure

The *Handbook* follows a logical progression; that is, the content and organization of chapters is intended to roughly approximates the planning process that new IDA programs will engage in. The layout of the *Handbook* is as follows:

Chapter 1: About IDAs contains comprehensive background information about the philosophical foundation of asset building and IDAs as well as a brief introduction to the IDA programs whose collective experience formed the basis for much of the material in the Handbook.

Chapter 2: Building Blocks should be the “first stop” for persons or organizations contemplating sponsorship and/or planning of IDA program; this section walks readers through a feasibility assessment and the fundamental first steps of developing a program.

Chapter 3: Program Structure provides IDA newcomers and experienced practitioners with an in-depth discussion of IDA program design issues and “best practice” suggestions; this section is the “nuts and bolts” of IDA program development.

Chapter 4: Program Management addresses topics related to budgeting, funding and administering an IDA program. While not central to the design of a new program, management issues are nonetheless critical for a program’s operational success.

Chapter 5: Financial Education and Training is a comprehensive discussion of the critical elements of financial education for IDA holders, including personal finance and money management, and asset-specific training curricula and presentation methods.

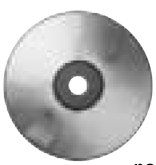
Chapter 6: Program Implementation covers issues related to participant recruitment, retention and making qualified withdrawals; issues that become more pressing as an IDA program moves from the planning to operational phase. It should be stated, however, that the topics in this chapter should be considered well in advance of program start-up.

Using the Handbook

The *Handbook* was written with two categories of readers in mind: 1) those who are relatively new to the IDA concept and may be contemplating an IDA program, and 2) seasoned IDA practitioners who are likely already grappling with the many challenges of running an IDA program.

The first group will find the *Handbook* most useful by reading it in its entirety before beginning to design or implement a new IDA program. Experience has taught IDA pioneers that almost all elements of a program interrelate and must therefore be considered simultaneously during the development process. For example, although IDA participants will not request qualified withdrawals until well into the life of a new program, qualified withdrawal policies and procedures will only make sense if they correlate with a program's permissible uses and match structure. Each piece of a program will function best if it is conceived as part of a whole. Readers who are new to the IDA field will also find that reading the entire *Handbook* will familiarize them with the major design issues to keep in mind throughout the process of developing a program.

Experienced IDA practitioners may also benefit from reading the *Handbook* through once from beginning to end. While seasoned practitioners have no doubt already considered each of the major program design issues, they may benefit from the new and updated information in this edition. At the very least, the *Handbook* should serve as a useful a reference manual for all practitioners — a resource to turn to when a new question surfaces or an old issue requires reassessment.



Resource CD-ROM

In keeping with the goal of facilitating the growth of high-quality IDA programs, this fourth edition of the *Handbook* includes a CD-ROM that contains a wide array of "cut and paste" resources for IDA practitioners. The idea behind the CD-ROM is to put practical, timesaving tools directly into the hands of the people who design and run IDA programs. Ready access to a range of model documents and forms should enable programs to avoid investing limited resources into work that has already been ably tackled by other programs.

The CD-ROM includes over 50 files, formatted as either Microsoft® Word® documents or Microsoft Excel® spreadsheets. Most of these files require only minor modification/personalization, such as adding the name and address of the particular IDA program. Other files will be most useful if taken as a starting point for IDA programs to develop their own unique, context-specific product. Still other files are included that may simply illustrate how a particular concept could take shape.

A table listing the CD-ROM contents can be found in Appendix I. Additionally, each chapter of the *Handbook* begins with a table of contents that includes a listing of CD-ROM files (designated by alpha numeric numbers — e.g., 1a, 2a, etc.) that are relevant to the information presented in that chapter. Please note that some CD-ROM files are relevant to more than one chapter or section, so they are referenced numerous times throughout the *Handbook*.

Extensive computer expertise is *not* required to take advantage of the CD-ROM resources. Users should be equipped with a personal computer running on a Microsoft Windows® 95®, 98® or NT® operating system. All resource files are in either Microsoft Word '97 or Excel '97 format. Users should refer to the "Read Me" text file included on the CD for more detailed information about what's included on the CD-ROM, how to use it, and who to contact for assistance.

Program Evaluation & CD-ROM Files

Early IDA practitioners have universally acknowledged the importance and utility of a comprehensive, integrated management information system (MIS). An MIS system combines many of the administrative functions of program operation (record keeping, statement production, data reporting) with functions necessary for systematic program evaluation. Because the IDA field is still in its infancy, the program evaluation component of an MIS is especially important for the further development of the field.

Recognizing the importance of program evaluation and information management, the *Handbook* was written under the assumption that practitioners will use some type of MIS. This assumption also applies to the CD-ROM files; that is, many of the resource files (particularly those developed for IDA participants) include components that are intended to facilitate MIS use.

At this stage in the development of the IDA field, all discussion about program evaluation and MIS must give due recognition to the Center for Social Development (CSD) at Washington University. Headed by Michael Sheraden, CSD is the creator of the only IDA-specific MIS system ("MIS IDA") currently available to practitioners. Additionally, CSD has been at the vanguard of research into the effectiveness of the IDA concept. As such, their evaluation tools have formed the foundation for elements of the *Handbook* and files on the CD-ROM, particularly those relating to data collection from IDA participants.

Readers who wish to find out more about MIS IDA should refer to the software description included at Appendix D of this *Handbook*. Additionally, a free 60-day trial version of MIS IDA is included on the CD-ROM, along with ordering information and a license agreement. We encourage you to take advantage of this free trial to experience first-hand what an MIS can do for your program.

1 About IDAs

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IDAs may not get us all the way to our goals but they help restore to poor people and distressed communities a reasonable opportunity to realize the American Dream of good jobs, safe homes and small businesses. In restoring hope and access to low-income communities, they offer to reinforce the distinguishing promise of America: that freed to seek a better life, individual efforts and common genius will build an inclusive society, a prosperous economy, and vigorous democracy.

— Robert E. Friedman, "What's in a Name?" *Assets Newsletter*, Fall 1997

In over 200 neighborhoods across the U.S., matched saving and investment accounts — most commonly called Individual Development Accounts (IDAs) — are beginning to endow low-income families with productive assets such as a first home, a college education, or a small business. These assets have, through generous incentives from the Federal government, helped secure the American Dream for millions of families; but such assets have been, and continue to be, out of reach for nearly all poor and working-poor families.

Without assets, poor families are likely to remain poor. Michael Sherraden, author of *Assets and the Poor*, observes that, "Few people have ever spent their way out of poverty. Those who escape do so through saving and investing for long-term goals." And without asset development policies, only very few poor families will have the opportunity, incentive, and institutional supports necessary to save for and acquire productive assets.

Ever since the New Deal, America's public and private sectors have spent billions on the poor in the form of income support, safety nets, rental assistance, transitional aid, and supplemental spending; but these sectors have rarely *invested* in the poor, empowered them with assets, enabled them to own a piece of their neighborhoods, or encouraged them to build wealth. Thus, while the U.S. has succeeded in preventing the vast majority of poor families from falling through the bottom, it has failed in offering the asset-building tools necessary to let those families move from the bottom to the middle or top.

■

What is an Individual Development Account (IDA)?

Individual Development Accounts (IDAs) are matched savings accounts designed to help low-income and low-wealth families accumulate a few thousand dollars for high return investments in education or job training, homeownership, and microenterprise. Low-income individuals save monthly, usually over a one to four year period, and have their savings matched by funders. Financial institutions, foundations, churches, and state and local governments fund the matches to the personal savings of IDA holders (usually at a rate ranging from one dollar for each dollar saved to four dollars for each dollar saved). Community organizations (usually 501(c)(3) non-profit organizations) counsel and monitor participants, provide money management and financial skills building training, control match funds, and authorize participants' withdrawals.

■

Asset development for the poor and IDAs began as a theory put forth by Sherraden in the early 1990s to address this void in anti-poverty programs and U.S. social policy. While IDAs clearly are still in the testing and development phase, they are nonetheless beginning to impact the lives of low-income people, the programs of non-profit organizations, the community outreach strategies of banks, the programming of foundations, the research agendas of think tanks and universities, and the mindset of state and federal policymakers. It is fair to say that interest and activity around IDAs appear to spreading at an unparalleled rate in the economic development field.

It is also accurate to say that IDAs are changing lives. For example, Star Perry of Chicago had been on and off welfare for years. With the help of the Women's Self-Employment Project (WSEP), she finally lifted herself off of public assistance by opening Star Bright Commercial & Maid Service. But even with her own business, Star could only dream of owning a home for herself and her four children. Then in 1996, the Perry family was invited to start an IDA with WSEP, one of the first organizations in the country to offer IDAs. WSEP provides matching funds of $2 for each $1 she saves, up to a maximum of $1,200 in matching funds over a two-year period in a 401(k)-style account. "WSEP stepped in at a time in my life where I didn't think I could do anything," says Perry, who has already accumulated $1,200 ($400 of her savings plus $800 in matching funds) in her IDA toward a downpayment. The opportunity to begin saving for her dream home was a powerful incentive for Perry and her kids.

Toni Davis, a young mother of three children, moved to Indianapolis from Atlanta to escape an abusive husband. Lacking a high school degree and marketable job skills, Davis seemed destined for a long stay on public assistance. She then signed-up with Eastside Community Investments (ECI), another pioneer in the nascent asset development field, and opened an IDA. Only two years after she arrived from Atlanta, Davis feels like she has transformed her life and is quite confident about her future. She has already earned her GED, completed a year of college, and soon will have saved enough money to buy her first home. She attributes her success to the opportunity and hope embodied in IDAs. "I saw the IDA as my way out — not to have to go back into the shelter...It made me want to go out there and do things," Davis proudly states.

Sherraden, noting these early but nonetheless compelling IDA success stories, observes that the real strength of asset-based programs is the intrinsic emotional boost they provide to people struggling to rise above the trials and humiliation of poverty: "When people accumulate something it has more than economic benefits. People saving for their future tend to take better care of what they have. They put more effort into maintaining their homes and neighborhoods, and they participate more in the community. They think more about their children's future. They are more politically active. People with a stake in society will act like citizens."

Section 1.1: Why Assets, Asset-Building Policies, and IDAs for the Poor?

In America the fruits of prosperity are shared unevenly, least of all to those whose work and sacrifice produced it. The rich are getting richer, the poor are getting poorer. And the people in between are treading water. America's middle class — the people who make this country great — are working harder for less. Because this economy is disproportionately rewarding ownership of wealth, I believe our laws should give working families the opportunity not just for fair income from those who own our economy, but also the opportunity to build a stake of ownership in our economy.

— Senator Bob Kerrey, "Who Owns America?" remarks to the National Press Club, September 1997

This chapter argues and discusses five key points:

1. **Assets matter** in social and economic development;
2. **Assets are distributed far less evenly than income** in the U.S., with distributions particularly wide between whites and blacks;
3. **Asset development policies are needed** to systematically and significantly build the assets of low-income families;
4. **Individually funded asset accounts, like IDAs, make sense as an asset-building tool,** given the emerging global economy and trends in social policy worldwide; and
5. **Poor people will in fact save** if the right incentives and institutional supports are provided.

Following these arguments, seven specific policy recommendations are provided.

Why Assets Matter

Greater income alone is not enough to empower low-income families to reach their goals, nor will it provide them with the stability, financial foundation, and future orientation they desire. Assets must also be present and developed because, as Michael Sherraden states, "Assets are hope in concrete form." While later sections of the *Handbook* will address what, from a research perspective, we know to date about the effects of owning assets, here we will put forth the general and more theoretical case for adopting the assets framework in programs and policies to fight poverty.

In their 1996 article *"What we know about the effect of Asset Holding: Implications for Research on Asset-Based Anti-poverty Initiatives*," Sherraden and his University of Washington colleague Deborah Page-Adams argue that the rationale for an asset-based policy can be stated in two parts:

1. Economically, accumulation of assets is the key to development of poor households. For the vast majority of households, the pathway out of poverty is not through consumption but through saving and accumulation. Stated simply, not many people manage to spend their way out of poverty.

2. When people begin to accumulate assets, their thinking and behavior changes as well. Accumulating assets leads to important psychological and social effects that are not achieved to the same degree by receiving and spending an equivalent amount of regular income. These behavioral effects of asset accumulation are important for house-hold "welfare" or well-being.

In addition, Sherraden and Page-Adams identify probable psychological and social effects of asset ownership. In their view, assets:

- provide greater household stability;
- foster long-term thinking and planning;
- lead to greater effort in maintaining assets;
- lead to greater development of human capital;
- provide a foundation for risk-taking;
- increase personal efficacy and sense of well-being;
- increase social status and social "connectedness";
- increase community involvement and civic participation; and
- enhance the well-being and life chances of offspring.

Melvin Oliver and Thomas S. Shapiro, authors of *Black Wealth/White Wealth* (1995), make essentially the same points as Sherraden and Page-Adams, but use the term "wealth" instead of assets:

> *Wealth is a particularly important indicator of individual and family access to life chances. Wealth signifies the command over financial resources that a family has accumulated over its lifetime along with those resources that have been inherited across generations. Such resources, when combined with income, can create the opportunity to secure the "good life" in whatever form is needed — education, business, training, justice, health, comfort, and so on.*
>
> *Wealth is a special form of money not used to purchase milk and shoes and other life necessities. More often it is used to create opportunities, secure a desired stature and standard of living, or pass class status along to one's children. In this sense the command over resources that wealth entails is more encompassing than is income or education, and closer in meaning and theoretical significance to our traditional notions of economic well-being and access to life chances.*
>
> *More important, wealth taps not only contemporary resources but also material assets that have historical origins. Private wealth thus captures inequality that is the product of the past, often passed down from generation to generation.*

A good example of these expected asset and wealth effects can be found in the United Way of Metropolitan Atlanta's recently launched Individual Development Account pilot program, which focuses on homeownership IDAs in three struggling neighborhoods. United Way identifies the key benefits of IDAs, and the related expected program outcomes, as follows:

- increased commitment and interest in the quality of participants' neighborhoods;
- safer communities by reducing school dropouts, juvenile delinquency, and domestic violence;
- increased home values of 8% to 12%;
- accumulation of and intergenerational transfer of assets;
- increased knowledge and experience in managing family economics;
- improved self-esteem and greater confidence in the power of saving and investing;
- increased number of low- to moderate-income people who achieve homeownership in targeted areas;
- enhanced network of organizations and financial institutions serving low-income neighborhoods; and
- increased neighborhood leaders and neighborhood stability.

In sum, it appears that what low-income families have articulated, what IDA programs are trying to achieve, and what scholars are finding about assets together make the compelling point that **assets matter** — in setting goals, reaching dreams, stabilizing families and neighborhoods, and improving children's lives.

ⓘ ***For a listing of other research papers and publications on asset-building and IDAs, see Appendix A.***

The Distribution of Assets

Given the importance of assets, it is particularly troublesome that the distribution of assets is highly unequal, as demonstrated by Sherraden (1991), Edward N. Wolff (1995), and Oliver and Shapiro (1995). They, unlike most researchers studying poverty, not only focus on wealth instead of income distributions in America, they argue that wealth and wealth inequality matter as much as, if not more than, income and income inequality.

Oliver and Shapiro argue that, "Substituting what is known about income inequality for what is not known about wealth inequality limits, and even biases, our understanding of inequality. A thorough understanding of inequality must therefore pay more attention to resources than has been paid in the past." And Sherraden (1997), while crediting William Julius Wilson and others for their focus on employment (more so than on income) as an important regularizing force in family and community life, points out that, "too narrow a focus on employment and the income it generates can overlook the equally important issue of what people have, their stake in America, their assets."

What, then, is the wealth or assets gap in America? To begin with, the wealth gap dwarfs the income gap. As reported by Oliver and Shapiro:

- The top 20% of all Americans households earn over 43% of all income but hold over 68% of net worth (all assets less all liabilities) and almost 87% of net financial assets
- Ten percent of America's families control two-thirds of the wealth
- The top 1% collected over four times their proportionate share of income, but hold over 11 times their share of net worth
- The richest 1% possess at least $763,000 in net worth, an amount 22 times greater than the median of the remaining 99%
- The richest 1% possess at least $629,000 in net financial assets (net worth less home and car equity), or 170 times the median of the net financial assets of the other 99%

Wolff reports that nearly all of the increase in total wealth in the past decade has gone to the top one-fifth of the population. He shows that the top 20% of all households realized almost 99% of the growth in wealth in the 1980s — with nearly 62% of the gains in wealth accruing to the top 1%. And these increases in wealth were far greater than the increases in income for those at the top.

And the data are equally disturbing on the other end. According to Oliver and Shapiro:

- The average American family holds only $3,700 in net financial assets. Thus, absent any safety nets, the typical family is only about three monthly paychecks away from financial ruin.
- Nearly one in three American households possesses zero or negative net financial assets.
- Half of all Americans have less than $1,000 in investable assets.

For African-Americans, the picture is even bleaker. According to Oliver and Shapiro:

- The median income of whites is $25,384 and $15,630 for blacks, whereas the median net worth of whites is $43,800 but $3,700 for blacks — a ratio of more than 11:1.
- Median net financial assets for whites is $6,999 — and zero for blacks.
- About one in three of all American households have no or negative financial assets, but about three in five of black households have no or negative financial assets.
- Controlling for differences in education, occupation and demographics, race alone accounts for 50% of the differentials in income between whites and blacks, 71% of the differential in net worth, and 76% of the differential in net financial assets. Stated another way, the cost of being born black in America is $43,143 in mean net worth and $25,794 in mean net financial assets.

From this perceptive analysis of racial inequality in America, two fundamental and troubling points emerge. First, while blacks have lower incomes than whites, even equally positioned whites and blacks have highly unequal amounts of wealth. Second, differences in asset holdings not only embody sharp differences in future opportunities, they also capture harsh patterns of prior discrimination — what Oliver and Shapiro call the "sedimentation of prior discrimination." Sherraden (1997) remarks, "One cannot help but wonder how different America would be at the end of the twentieth century if land had also been distributed to freed blacks just as it had been through the Homestead Act to pioneering whites."

Finally, any discussion of assets that excludes children would be inadequate. Oliver and Shapiro report that:

- Close to one-half (46.9%) of all children live in households with no net financial assets.
- Sixty-three percent of all children live in households with enough net financial assets to cushion only three months or less of interrupted income.
- Forty percent of all white children grow up in households with zero or negative net financial assets.
- Nearly three out of every four (73%) black children grow up with zero or negative net financial assets.
- Nine out of ten black children come of age in households that lack sufficient financial reserves to endure three months of no income at the poverty line, about four times the rate of whites.

Considering these numbers, Oliver and Shapiro remark:

> *Perhaps no single piece of information conveys the sense of fragility common to those on the lowest rung of the economic ladder as the proportion of children who grow up in households without assets. Reducing all of life's chances for success to economic circumstances no doubt overlooks much, but resources nonetheless provide an accurate measure of differential access to educational, career, health, cultural, and social opportunities. In poignantly reciting the hopes they have for their children, parents recognize the importance of resources.*

Asset-Building Policies

Given that (1) assets matter in social and economic development; (2) asset or wealth distributions in America are highly and disturbingly unequal; and (3) social policy already supports asset building for the non-poor, it seems that a pro-active asset development policy for the poor is warranted.

Historically, it could be argued that the U.S. has developed, essentially, two distinct social policies. For the non-poor, there is a popular and successful asset-building policy, one that works primarily through the tax code. The home mortgage interest deduction, tax breaks for retirement savings, preferential treatment of capital gains, and tax incentives for higher education all represent broadly supported asset-building policies which, of course, provide greater benefits to those with greater incomes.

For the poor, there is an unpopular and punitive asset-denial policy, one that works primarily through large, categorical income support programs. These programs provide much needed cash, health care, food assistance, and support services — essential features of the American safety-net that have successfully prevented the vast majority of poor Americans from experiencing severe deprivation and starvation. These same policies, however, generally force people to deplete their assets before qualifying for assistance, and deny recipients the ability to accumulate the very assets they may need to achieve economic independence. (Encouragingly, 25 states now allow persons eligible for Temporary Assistance for Needy Families, or TANF, to save money in an IDA without such savings affecting their eligibility for TANF and other means-tested public assistance programs.)

Interestingly, the U.S. spends several billion dollars each year on each of these two policies, yet the results differ dramatically. One offers generous incentives for investments in long-term productive assets, while the other reluctantly provides "assistance" and "support" primarily (though not exclusively) to help people get by. According to data compiled by Jamie Curley of the Center for Social Development, federal tax expenditures to help individuals build assets were estimated to total $176.9 billion in FY 1996, with none of that amount reaching poor individuals. For that same period, federal direct (non tax) expenditures targeted to the poor — for social services, income security, housing assistance, health care, nutrition, employment, and education — totaled $276.8 billion. While a strong safety net should, we believe, endure for America's poor, it seems that that safety net should be complimented with — not replaced by — a ladder to economic self-sufficiency for the poor through targeted policies to build productive assets.

The general policy recommendation, then, is to extend the U.S.'s sensible asset-building policies to low-income families, to provide equivalent incentives to those families to similarly invest in homes, businesses, and education. IDAs, which offer matching deposits instead of generally inaccessible income tax breaks as incentives to save, are a simple, flexible tool designed to help achieve precisely this objective.

Section 1.2: Why Individual Asset Accounts?

Public policy can't do complex things very well, but it does transfer income well, because it's simple. The same goes for assets. I thus see two fundamental choices facing policymakers here in the U.S. and around the world: One, which do they transfer, income or assets? And two, will poor people be included? Of course, it's more complicated than that, but that's really what it comes down to.

— Michael Sherraden

Individual Development Accounts and other asset-building anti-poverty strategies should be viewed in the context of larger changes in domestic policy and community development that are underway in the United States, and indeed much of the world.

IDAs are not simply a new program, but rather are part of a fundamental change from "welfare states" based predominantly on income support to a more empowering and flexible domestic policy based on asset building. Top-down categorical programs have been the main strategy of the industrial era, but as we progress into the information age, policy is shifting to control by individuals and families. Families with resources in asset accounts will make more of their own decisions about education, job training, homes, businesses, financial investments, health care, and retirement security.

The separation of social and economic issues, which was so sharp in the industrial era, will largely disappear. And the separation between policy and community development will be reduced because a simple and flexible asset-based policy will spur and empower community initiatives, as we are today seeing with IDAs.

The shift to asset accounts is already underway. This is most evident in the dramatic change from defined benefit retirement plans (with regular benefit payments each month) to defined contribution retirement plans such as 401(k)s, 403(b)s, regular IRAs, Roth IRAs, and the likely shift to individual accounts for some portion of Social Security (with payments based on lifetime contributions and investment performance). In addition to retirement, policies and proposals for other uses of asset accounts are becoming more common, such as Super IRAs that can be used for homeownership and education, Medical Savings Accounts, Individual Training Accounts, and Children's Savings Accounts for education and other purposes.

There is every reason to believe that this shift to asset accounts will continue. In fact, asset accounts will likely become the primary domestic policy instrument within a few decades. The most talked-about reason for this change will be the coming fiscal strain in entitlements. However, the more fundamental reason is that *asset accounts are more suited to the economy and labor market of the information age*. In the industrial era, mass labor markets and stable employment called for categorical programs and income protection policies. But in the information era, rapidly changing labor markets will require household flexibility and control over investments in family well-being. Mass categorical programs will be less and less functional. Social insurance policies of the industrial era will not (and should not) entirely disappear, but they will become secondary.

The great danger in the transition to asset-based policy is that the poor will be left behind. This is not only possible, but likely. Asset accounts are potentially much more regressive than social insurance. If, for example, a transition is made to asset accounts for a portion of Social Security, as seems likely, it could easily be more regressive than the current system. The poor would make smaller monthly deposits into the system and would receive zero or minimal tax benefits. Altogether, they would run the risk of reduced income protection.

Thus, it is important to understand that IDAs are not simply another new idea, or one more tool in the community development tool kit. Rather, *IDAs are an effort to connect the poor to the most fundamental domestic policy transition of our time.* As mentioned above, in the absence of IDAs or other asset-building strategies for the poor, domestic policy is likely to move toward asset accounts but leave the poor behind.

Can Poor People Save?

In policy discussions on assets and IDAs, the following questions legitimately arise: Can poor people save? If so, under what circumstances? That is, if the policy recommendation is to extend present asset-building policies to the poor, what evidence is there that poor people can and will save, and how can policy facilitate that?

First, it must be stated that the asset development framework advanced here proceeds on the "institutional" theory of savings advanced by Sondra Beverly (1997), Sherraden and others at the Center for Social Development at Washington University in St. Louis. While Beverly concedes that very little is in fact known about how and why low-income individuals save and accumulate wealth, she does state that the evidence in favor of the neo-classical view, which understands individual savings as a function of a set of preferences for future versus present consumption, as well as a function of income and wealth, is not as convincing as the evidence in favor of the institutional view, which suggests individual saving behavior is shaped by the institutional processes through which savings occurs. That is, savings among the poor more likely occurs because institutions — government, employers, non-profit organizations, banks — support and reward it, rather than savings taking place primarily because low-income people are inclined to save rather than spend their current limited incomes. Certainly among the non-poor, most saving and asset accumulation occurs because it is structured and encouraged through the use of incentives.

Historically, the institutions most responsible for facilitating saving among the poor in the U.S., and thereby demonstrating that poor people can in fact save if properly supported, are Community Development Credit Unions, or CDCUs. According to Cathie Mahon of the National Federation of Community Development Credit Unions in New York, specific findings among CDCUs include the following:

- Despite limited means, CDCU members have for more than 60 years accumulated savings to achieve their goals.
- As of 1995, more than 170,000 savers with a median family income of $19,000 had deposited $250 million in savings.
- Among the 137 federally chartered CDCUs studied, the average savings per member was $1,598 at year-end 1995.
- There is a strong positive correlation between savings and the age of the credit union, the interest rate (or dividend), and the availability of restricted access products such as Certificates of Deposit and IRAs.

Based on these facts, CDCU participation in IDA programs is strong, and a greater number of mainstream credit unions are serving as financial institution partners for IDA programs.

Also, Dianne Lazear's formal evaluation of the IDA program operated by ADVOCAP in Fond du Lac, Wisconsin (1999), showed that poor people are in fact saving: the IDA-participating group accrued significantly more in savings accounts than a control group.

Finally, the 99 applicants to CFED's Downpayment on the American Dream Policy Demonstration (ADD) conducted dozens of focus groups with low-income people to explore their attitudes toward savings. The findings were consistent: low- and even very low-income families would willingly commit to save between $10 to $50 per month to invest in homes, businesses, or education or training. Preliminary data from this demonstration (compiled by CSD) indicate that low-income people are saving at the expected rates; the median value of deposits was last calculated to be $30. Data as of June 30, 1999 indicate that:

- 1352 participants had made deposits into IDA accounts.
- Total participant savings (current savings balance plus qualified withdrawals) was $429,593.
- Total qualified withdrawals (for asset purchases) was $157,222.
- Total assets accumulated (participant savings plus match funds earned plus match funds used) was $1,179,823.

While participant savings may seem modest, to low-income families they can be quite significant. Such small savings — which then leverage further investments — can generate significant changes. For example, half of all businesses started in the U.S. each year are capitalized with less than $5,000; the average downpayment needed on a house purchased by low- and moderate-income families is less than $3,000; and the average annual tuition at a community college is less than $1,200.

The general policy rationale to extend asset-building policies to low-income people can, therefore, be more precisely stated as follows: *How can policy provide the incentives and institutional supports necessary to facilitate savings and build productive assets among the poor?*

Building an Asset Development Framework

Two general policy goals must be pursued in order to encourage asset-building among low-income Americans: (1) regulatory and institutional barriers to savings for low-wealth people must be dismantled, and (2) savings for productive assets such as a home, higher education or training, a small business or retirement nest-egg, must be subsidized through matching deposits, offsets against payroll taxes, refundable tax credits and the like. Some policies make direct participation in savings programs available to the poor while others work more indirectly, establishing rules and incentives will create state and local action to increase savings for poor Americans.

While IDAs are an ideal asset-building tool (because of their simplicity, flexibility, and suitability to the global economy and changing nature of social policy worldwide), they are but one of several asset-building tools available to policymakers and program operators. In the fight against poverty, the real and more fundamental challenge is to adopt an asset development framework for policy and program design. Thus, CFED aims to incorporate IDAs and other asset-building tools for low-income people (such as Children's Savings Accounts) into the national policy infrastructure. Our goal is to make IDAs as widespread, popular and important as Individual Retirement Accounts (IRAs). Currently, much attention is being directed to the tax code — since that is where government supports asset-building for the non-poor through the home mortgage interest deduction, IRAs, capital gains treatment and other mechanisms — but work is also being done to include IDAs in safety net (food stamps, TANF, SSI, etc.) and economic development programs (CDBG, SBA, etc.)

ⓘ ***For a more detailed overview of the current status of federal and state IDA policy, refer to Appendix B.***

Section 1.3: Downpayments On the American Dream Policy Demonstration

The Downpayments on the American Dream Policy Demonstration (American Dream Demonstration, or ADD) is the first large-scale test of the efficacy of Individual Development Accounts (IDAs) as a route to economic independence for low-income Americans. Thirteen community-based organizations from around the country are operating IDA programs as part of the Demonstration. By ADD's completion, these organizations will have established at least 2,000 IDAs in their low-income and asset-poor communities. More importantly, this Demonstration will catalyze and connect a rapidly expanding field of community-based IDA programs around the country. This section briefly introduces the Downpayments on the American Dream Policy Demonstration by highlighting each of the thirteen ADD sites, examining ADD's comprehensive evaluation framework, and analyzing what we have learned about IDAs from the Demonstration's progress thus far.

Demonstration Overview

As the organizer of and coordinator for ADD, CFED is responsible for raising and managing funds, convening semi-annual meetings of demonstration participants, providing technical assistance, and spearheading state and federal policy development and media outreach. The Center for Social Development (CSD) at Washington University in St. Louis is responsible for the design and oversight of the evaluation component of ADD, as detailed later in this section.

ADD will span a period of six years: five years of operation and evaluation (1997-2002) and one year of post program follow up (2003). The Demonstration is supported by several national foundations including the Joyce, Charles S. Mott, Ford, John D. and Catherine T. MacArthur, Levi Strauss, Fannie Mae, Ewing Marion Kauffman, Rockefeller Foundations and the Moriah Fund. Additionally, several local foundations, private organizations, companies and individuals, and state, local, and national governments contribute to the Demonstration. In total, ADD will leverage over $15 million in public and private funds over its six-year existence.

The 13 Community Sites

The ADD sites were chosen from 250 community-based organizations that expressed interest in the Demonstration. After an intensive selection process, CFED selected thirteen organizations and officially launched ADD in September of 1997. These thirteen sites include homeownership and microenterprise organizations, community action agencies, general anti-poverty organizations, community development credit unions, and IDA collaboratives. They operate in both rural and urban areas, enroll participants of diverse ethnicities, and all involve extensive public-private partnerships (with financial institutions, training providers, universities, government entities, etc.).

Most of the ADD sites spent the latter part of 1997 enhancing their program designs and the beginning part of 1998 enrolling their first participants. All thirteen sites are now fully operational, having opened accounts for low-income participants. One of the thirteen sites, the Community Action Project of Tulsa County (CAPTC) has been chosen to expand its program to over 500 accounts and be subject to a random assignment, control group, impact evaluation.

CFED matches participant savings and local matches on a 1:1 basis (for up to $500 per account per year), and also provides annual operating grants of $25,000 to each of the thirteen sites (these grants must be matched at the local level). CAPTC receives an additional $100,000 annual operating grant from CFED to support its large-scale program

ADD Sites

Organization	Location	Target Population (Note: ADD participants can have incomes no higher than 200% poverty)	Setting	Match Rate
ADVOCAP	Fond du Lac, WI	Individuals below 150% poverty line	Rural	2:1
Alternatives Federal Credit Union	Ithaca, NY	Low- to moderate-income individuals	Rural	3:1
Bay Area IDA Collaborative	Oakland/ San Francisco, CA	All low-income; African-American, Latino, Asian American	Urban	2:1
Capital Area Asset Building Corporation	Washington, DC	AFDC recipients; youth; African-American, Latino, Asian American	Urban	Varies 2:1-7:1
Central Texas Mutual Housing Association	Austin, TX	Rental property residents with income under 60% area median family income	Urban	2:1
Central Vermont Community Action Council	Barre, VT	Individuals with household income below 150% federal poverty line and earned income equal to amount to be saved	Rural/Urban	1:1
Community Action Project of Tulsa County	Tulsa, OK	Individuals with income below 150% federal poverty line	Urban	Housing: 2:1; Other uses: 1:1
Heart of America Family Services	Kansas City, KS	Area residents; Latinos	Urban	2.1
Human Solutions	Portland, OR	Families and individuals with income below 65% median family income	Urban	1:1
MACED (Owsley County Action Team)	Booneville, KY	Individuals with household income below 200% poverty level	Rural	6:1
Near Eastside IDA Program	Indianapolis, IN	Area residents/program participants with income below 150% federal poverty line	Urban	3:1
Shorebank Corporation	Chicago, IL	African-Americans in Chicago's South and West sides earning less than 60% of area median income	Urban	2:1
Women's Self-Employment Project	Chicago, IL	African-American women, and micro-entrepreneurs affiliated with WSEP and their employees; Must meet federal earned income tax credit income guidelines	Urban	2:1

Section 1.4: Evaluating the American Dream Demonstration

ADD IDA programs will be in operation from 1997 through 2002, and the evaluation phase of the Demonstration will continue until 2003. The evaluation has been designed and is being guided by CSD, and Abt Associates of Cambridge, Massachusetts the experimental design survey to assess impacts at the large-scale site in Tulsa, Oklahoma. A team of researchers sponsored by the United Way of Greater Atlanta will undertake the community level evaluation. CSD will undertake other evaluation components, including regular monitoring, case studies, in-depth interviews, and return on investment analysis.

The ADD evaluation aims to answer key questions about whether IDAs are successful, in what ways, and for whom, including:

- What constitute good design features for an IDA program?
- What are the barriers and facilitators in starting and operating a successful IDA program?
- How are IDA savings used and what are the patterns of savings?
- What is the impact of IDAs on asset accumulation and meeting life goals?
- What are the effects of asset holding for IDA participants and their families?
- What is the financial return of an IDA program to its participants and the larger society?
- What are the community level effects of an IDA program?

Research methods in the ADD evaluation

Program implementation/administration assessment. CSD is conducting a two-year, multi-site case study of ADD's thirteen programs so that results of different programs can be meaningfully compared and analyzed. This data will be used to derive lessons learned for the benefit of other IDA programs. A start-up evaluation report was published in January 1999 and a second report will be published in fall 1999.

Program monitoring/management information system. CSD has developed a comprehensive evaluation and account management database called "MIS IDA" to assist organizations in managing their IDA programs. MIS IDA tracks program level performance, monitors participant savings behavior, and provides reports including participant account statements and reports to funders showing both savings and match dollars. MIS IDA was originally developed for the ADD project, but is now available to all organizations implementing IDA programs. A detailed description of MIS IDA 2000, complete with ordering information, is included on the CD-ROM in the back of this handbook.

Experimental design surveys of IDA participants and controls. Abt Associates will conduct a survey of 500 IDA participants and 600 "controls" at Community Action Project of Tulsa County (CAPTC) in Oklahoma. Abt Associates will employ a fixed format questionnaire to obtain individual level data on IDA participation and use, savings behavior, and effects of asset accumulation. CSD will undertake in-depth interviews with a sub-sample of the respondents.

Evaluation of community-level effects. A community-level evaluation will take place by a team of researchers from Georgia State University, Emory University, the Atlanta Project, and CSD. This evaluation will assess community impacts, such as improved neighborhood conditions and citizen participation. The community level evaluation could not be implemented at an ADD site because it requires a high concentration of IDAs in a fixed geographical area. A neighborhood revitalization project implemented by the United Way of Greater Atlanta has provided a suitable evaluation site.

Return on human investment (ROHI) analysis. The ROHI will analyze the costs and benefits associated with implementing an IDA program. Data for this study will be collected in the monitoring instrument and the experimental design survey. The analysis will be undertaken in the fifth year of the demonstration.

ⓘ *For a listing of lessons learned to date based on the collective experience of the 13 ADD sites, see Appendix C.*

2 Building Blocks

2 Building Blocks

2 Building Blocks

Planning a first-rate IDA program requires a considerable amount of research and pre-planning. Community needs must first be assessed to determine if the desire for asset accumulation exists. Community resources must also be assessed to determine opportunities for collaboration. This chapter will familiarize you with the steps involved in conducting a feasibility assessment for your IDA program, determining appropriate program objectives, identifying the right target population, and forging strong partnerships in your community. These steps are all critical to getting your planning process off on the right foot.

Section 2.1: Feasibility Assessment

Sponsoring an IDA Program represents a significant investment for any organization. As with any investment, your organization will want to carefully weigh the potential risks and rewards of launching an IDA program before you begin. The feasibility assessment process described in this chapter will help you determine if your organization is ready to pursue an IDA program.

Six Critical Feasibility Questions

1. **What need does your community have for asset building?**
2. **Does the population your organization serves want to save for asset ownership?**
3. **Do your organization's clients have the capacity to save over the long term?**
4. **Does your organization have the capacity to sponsor a well run IDA program?**
5. **Will your community support an IDA initiative?**
6. **Can your organization obtain sufficient funding for an IDA program?**

1st Question: What need does your community have for asset building?

Any successful community building program must arise in response to a genuine *community need*. Because IDA programs offer community members a means to acquire substantial, durable assets, IDAs are appropriate in communities that have a clear need for greater asset ownership. One way to assess this need is to take stock of the existing asset base in your community. In particular, ask questions such as:

- What is the rate of homeownership in your community?

- Is your community home to locally owned small businesses? Is any portion of the workforce self-employed?
- What level of educational achievement or job training is typical in your community? Do residents have the skills they need to find well paid jobs?

By taking inventory of your community's asset base and by speaking directly with community members (see sidebar below, *Holding Focus Groups*), your organization will be better able to gauge your neighborhood's need for an asset building IDA program. In addition, analyzing your community's need for increased asset ownership may allow you to better articulate to potential program funders or partners the reasons why your program is important and necessary.

Holding Focus Groups

As your organization considers whether to develop an IDA program, you will need a mechanism to gather the opinions and feelings of potential program participants. Focus groups can help. By assembling a small group of people (typically five or six) who are a representative sample of a larger group your organization wishes to better understand, your program can collect the insights of potential participants in an efficient and manageable way. In addition, focus groups can be used to test out ideas and assumptions your organization may have formed regarding potential IDA participants or program design.

2nd Question: Does the population your organization serves *want* to be asset owners?

In the same way that IDA programs must develop in response to a need for asset development, they must also address a *desire* in your community. IDA participants will only succeed if they truly want to become asset owners.

The best way to assess the desire of your community members for asset ownership is to ask them. Focus groups, client needs assessments and informal conversations with community members are mechanisms for determining how strongly prospective participants wish to become asset owners.

3rd Question: Do your organization's clients have the capacity to save for the long term?

This is a delicate question. On the one hand, IDAs are built on the premise that very low-income families *can* save for asset ownership; on the other hand, saving may only be possible and desirable for families who are able to meet their most fundamental needs. It is difficult to envision people saving who, for example, do not have reliable housing.

Combining two different approaches can help organizations develop a clearer sense of potential participants' savings capacity:

- Ask prospective participants. Use focus groups to determine whether potential IDA holders believe they can afford to save.
- Create a model budget to see if it seems feasible theoretically for the population your organization would target to both save and meet basic living expenses.

4th Question: Does your organization have the capacity to offer an IDA program?

Just as prospective participants must have the capacity to handle an IDA program, so too must your organization. Consider these questions:

- Will your organization's Executive Director or a senior program officer be willing and able to devote time to an IDA project? Because IDA programs are complex and fairly new undertakings, 5-10% of an Executive Director's time may be needed to educate funders and policymakers, set up partnerships and assist in program design.
- Does your organization have a deep desire to offer IDAs? Because IDAs are still new programs, organizations need to invest considerable effort in order to get a program up and running. IDAs also demand a highly motivated program staff.
- What experience does your organization have with asset-building programs (e.g., microenterprise or homeownership training)? Organizations that offer asset building programs will be familiar with some of the challenges an IDA program will create. They also have a built-in resource for IDA participant asset ownership preparation.
- Is there a relationship of trust between your staff and members of the community you serve? IDA programs are long-term projects that ask participants to undergo significant personal growth and change. Organizations should have a track record of building strong, trusting relationships with clients in order for IDAs to work.

5th Question: Will your community support an IDA initiative?

No organization can hope to sponsor a successful IDA program without community support. As your organization assesses the feasibility of an IDA program, be sure to consider whether other organizations in you community will be willing to support your efforts in tangible ways. In particular, the following questions should be raised:

- Is your organization unique in offering asset-building services in the community you serve? Are other organizations already filling this need?
- Are there qualified community-based organizations with which you can partner on recruiting, participant training and counseling, and policy advocacy issues?
- Does your organization have relationships with banks, thrifts or credit unions that could serve as financial institution partners?

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Steps to Assemble Focus Groups

Your organization should determine what criteria to use when selecting a representative sample of your general prospective IDA target population. Determinants might include potential participants' income level, net worth, previous affiliation with your organization or stated interest in asset ownership.

Prospective focus group participants should be screened to determine if they meet your selection criteria. Care should be taken to ensure as little demographic or socio-economic overlap among focus group participants as possible.

A facilitator, either a member of your organization or an outside professional, should lead the focus group by stimulating discussion around, and posing specific questions about, issues of interest to your organization. Issues might include:

- How much potential participants believe they could afford to save each month
- For what asset-building options potential participants would be willing to save
- Potential participants' attitude toward money, saving and financial institutions
- Potential participants' concerns or fears about long-term saving and asset ownership

Your organization should make arrangements to take notes on or record what focus group participants say, so responses from different groups can be compared.

The cost of focus groups will vary depending on who facilitates them, where they are held and how much staff time must be used to set them up.

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6th Question: Can your organization obtain sufficient funding for an IDA program?

IDA programs require funding, both for operating expenses and participant savings matches. Determining how your organization would find financial support for an IDA program is an essential part of any feasibility assessment. These questions can help.

- Do you know of any foundations, local private employers, government agencies or wealthy individuals that may be interested in asset-development strategies?
- Which populations and asset-building options would funders most likely support?

Once your organization has answered the preceding six critical questions, you have the information necessary to assess the feasibility of offering an IDA program in your organization. Assuming the answer to this question is "yes," you are ready to assemble the other essential "Building Blocks" outlined in the remainder of this chapter.

Pre-Planning

As your organization works to establish its IDA program, it may be helpful to assemble an IDA **program advisory board**. A diverse advisory board is an excellent way to ensure your IDA program reflects a broad range of experience and perspectives. It is also a natural way to gradually involve potential program and financial institution partners, as well as to build community support for your program. Possible advisory board members include people who:

- have connections to funding;
- can provide design expertise;
- have program evaluation experience;
- can offer legislative guidance and support;
- have media connections or public relations experience; or
- are staff or Board members who are able to devote time to IDA work.

Finally, before continuing in the design process, your organization should assemble a **preliminary work plan**. By skimming the rest of this handbook and speaking with current IDA practitioners, you should be able to assemble a rough outline and timetable for your program's development. Although your preliminary work plan will undoubtedly change as your work progresses, a basic time and action calendar is recommended to coordinate the efforts of all parties involved in your program development.

Section 2.2: Program Objectives

Carefully reasoned objectives provide a philosophical foundation and a unifying purpose to your IDA program. It is therefore critical to define objectives at the beginning of your program design process and to refer to them often throughout implementation. This chapter will guide you through the process of defining program objectives and introduce you to some sample objectives of current IDA programs.

Three

Program Objective Considerations

1. **Why should your program define objectives?**
2. **What issues should your program consider as you set objectives?**
3. **What process will ensure your program creates appropriate objectives?**

1st Consideration: Why Objectives?

Why should your program define objectives?

It may be commonly assumed that all IDA programs share the same objective — to help low-income people obtain assets. While this fundamental mission of IDA programs is universal, a wide range of specific objectives may fall under the broad umbrella of asset development. Considering carefully what your program's specific objectives should be can help you:

- create a foundation from which to make program design decisions;
- convey the mission of your program to potential partners and funders;
- describe the purpose of your program to prospective participants;
- apply your organization's limited resources in the most focused, productive manner;
- establish a basis from which to evaluate the effectiveness of your program;
- minimize disagreements among staff members about your program's priorities

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Using Objectives as a Guide to Managing Your Program

Community Action Project of Tulsa County (CAPTC)

As CAPTC's IDA program entered its second year, program staff began to notice that some participants, although saving regularly, were not saving at a level that would make their asset goals attainable within the timeframe of the program. CAPTC staff struggled with how to address this situation. Was it acceptable for participants to continue saving even if they were unlikely to reach their asset goals? Wasn't an IDA program intended to help low-income participants become asset owners?

As they considered these questions, CAPTC staff revisited the objectives that had been laid out in the planning stages of their program and found some guidance: CAPTC had established a program objective to "help participants develop a pattern of regular savings." Remembering this program goal, CAPTC staff ultimately decided that participants should be encouraged to continue saving even if they do not appear likely to reach their asset goals. Provided participants are making regular deposits, they are still fulfilling one of the program's clear objectives: fostering regular savings behavior. CAPTC's original IDA design had included this objective because, staff reasoned, a habit of regular savings is a significant stepping stone to asset development. Participants who are helped to establish a savings pattern will have practice exercising fiscal self-discipline and have much greater odds of one day reaching their asset goal. CAPTC's program objectives helped their staff make solid, well-reasoned management decisions.

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2nd Consideration: Material for Objectives

What types of issues might your program's objectives address?

While IDA programs share a common asset development mission, many programs have found that their work with participants leads to other valuable outcomes. It is important that your organization consider all possible objectives. The following list of objective types may help spark constructive discussion as your organization weighs various potential program objectives.

Asset development. Although all IDA programs focus on asset development, most programs choose to articulate a more narrowly defined asset objective. Asset-related objectives may be made more specific by identifying *what* assets your program seeks to cultivate and *with what intended consequences* for participants.

Behavior changes. Many programs have observed that specific behavior changes are often an essential step on the path to asset ownership. Programs may establish objectives that focus on significant participant behavior changes, such as developing a habit of saving regularly or changing spending patterns.

Attitude changes. Participants' perspectives on and attitudes towards their lives and futures are important indicators of their potential for asset ownership and, ultimately, for self-sufficiency. Programs may wish to set objectives related to participants' self esteem, feelings of hope, future-orientation, or self-confidence.

Self-sufficiency. IDA programs are built on the supposition that asset development can increase participants' self-sufficiency. Some programs choose to identify self-sufficiency or decreased dependency on public assistance as objectives.

Financial Knowledge and Skills. Understanding of financial concepts and tools is essential to successful asset ownership and can better equip participants to provide for their families. Recognizing this, some IDA programs have identified financial literacy as a distinct objective.

What Makes a Good Objective?

Constructive program objectives share certain traits. Typically, they are:

Meaningful – of significant importance, to program participants and your organization

Specific – narrow enough in scope to be considered individually

Realistic – reasonably obtainable, given resource and time constraints

Measurable – lend themselves to evaluation and assessment

Flexible – able to be adapted as your program develops

As an example, an objective such as "strengthen communities through asset development" would be less constructive than "help 25 families become invested in their community by achieving homeownership." The latter objective is more specific and quantifiable, yet still realistic and meaningful.

3rd Consideration: Process for Establishing Objectives

How should your organization go about establishing program objectives?

Constructive objectives are the outcome of a process of discussion with, and consideration of, a number of different constituencies. Before finalizing your program's objectives, be sure to follow these steps:

Step 1: Solicit input from your community.
IDA programs are designed to serve individuals and communities. Recognizing this fact, it is essential that the overall mission of your program reflect the needs and capacities of your potential participants and the communities in which they live. Holding focus groups (see the sidebar *Holding Focus Groups* in

the *Feasibility Assessment* section of this chapter and the sidebar that follows below) with current clients of your organization will help you understand the priorities of prospective IDA program participants. Initiating conversations with community organizations will give your program an indication of what your community needs and is willing to support. If focus groups reveal that participants have a strong appetite for financial knowledge, for example, your program might include a specific objective related to financial skills building. If your conversations with other community organizations suggest that your community needs higher rates of homeownership, you might build an objective around attaining higher homeownership rates.

Step 2: Talk to members of your organization.
Your organization will serve as the primary "home" for your new IDA program. It is important that the program objectives you establish fit in with the overall mission of your organization and reflect the knowledge, experience, and capacities of your organization's staff. Consider inviting the staff and clients of your organization to an open discussion in order to gain insight into how staff and clients feel about your proposed objectives. If your organization feels strongly, for example, that decreased dependency on public assistance is an important organizational priority, you might articulate this goal in a program objective.

Step 3: Approach potential funders.
IDA programs require substantial funding in order to be successful. While funding for IDA programs is available, many potential sources of financial support will be more interested in your program if its objectives match their funding guidelines. Your organization should review any published funding guidelines, past funding histories, and grant requirements in order to ascertain what program objectives are likely to be readily supported. While funding considerations should not dictate your program objectives, your program will be much easier to fund if your objectives share common ground with major funders' priorities.

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Sample IDA Objectives

Women's Self-Employment Project (WSEP), Chicago, IL

- Determine ways to encourage individual initiative to achieve economic self-sufficiency; this includes, but is not limited to, savings, investment, and asset accumulation.
- Study and determine the effectiveness of asset-based welfare policy.
- Determine the economic return to the State of an asset-based welfare policy by eliminating public welfare expenditures, savings and increased tax revenue from job creation, new business creation, and education, employment, and vocational training.
- Develop recommendations for the creation of an asset-based welfare policy that encourages individual initiative and long-range planning with regards to asset accumulation, savings, and investment through IDAs.
- Develop recommendations for community-based initiatives and pilot programs for asset-building strategies and savings vehicles; develop recommendations for incentives for savings; propose community funding mechanism that would work in cooperation with the government's investment of funds.
- Develop recommendations for a community education program to complement an IDA system; examine how to build the type of economic literacy required by poor families to use the system.
- Educate financial institutions on the advantages and benefits of offering IRA-type accounts to low-income individuals.

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Section 2.3: Target Population

In order to face the challenges of recruiting IDA program participants, securing program funding and attracting program partners, it is essential that your organization make a deliberate choice about which specific group or groups of potential participants to target your program to. Settling on a target population requires balancing your organization's mission against several important practical considerations. Successful IDA programs seek to serve populations that have a need for asset development *and* show a reasonable probability of long-term success as asset owners.

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Choosing Your Target Population: A Cautionary Note

When choosing your target population keep in mind that just as IDA savings and investments are usually new for low-income clients, these concepts will also be new to program staff who are accustomed to providing job placement and training, housing assistance, food, and counseling. Organizations should beware of the tendency to underestimate the desire or capacity of low-income clients to work and save for their dreams. It would be tragic to underestimate potential IDA participants and in so doing inadvertently perpetuate patterns of hopelessness often created by traditional anti-poverty programs. Remember, IDAs assist clients not just by matching their savings, but by teaching them how to save and preparing them to manage their assets.

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Four Program Target Population Considerations

1. **How should you apply your organization's mission to selecting a target population?**
2. **Can the population your program will target achieve sustainable asset ownership?**
3. **What target populations are funders likely to support?**
4. **How can your program set participation guidelines to attract your target population?**

1st Consideration: Organizational Mission

How should you apply your organization's mission to selecting a target population?

Before you address real-world restrictions that may limit your program's ability to define a target population, consider what population your program would most like to serve with its IDA initiative. Generally, this group of potential participants will be determined by:

- **Your organization's mission.** In order for your IDA program to be a natural fit for your organization and its traditional client base, it should be directed toward a population that is consistent with your organization's mission.
- **Your assessment of which population has the greatest need.** Even among the populations with whom your organization typically works, there are likely to be groups that show a greater need for the increased stability and self-sufficiency that asset ownership promises.
- **Your organization's prior experience.** Having narrowed your optimal target population to a group that is consistent with your organizational mission and exhibits clear need, you will also want to apply your organization's collective experience to determine which population is most appropriate for a long term saving and asset development program.

2nd Consideration: Asset Ownership Capacity

Can the population your program will target achieve sustainable asset ownership?

IDA programs make an implied commitment to participants: if they save faithfully and prepare for asset ownership aggressively, they *can* become asset owners. In order to keep this commitment, programs must target participants who have the necessary ingredients for asset ownership. If your program offers homeownership as an asset goal, for instance, it should target a population that has a reasonable prospect of qualifying for financing and being able to meet the obligation of a monthly mortgage payment.

Of course, IDAs are built on the premise that even the most disadvantaged people *can* succeed at long-term saving. It can therefore be difficult to decide which ingredients are truly essential for asset ownership. Programs may find that participant self selection is the best indicator of who is likely to succeed; in other words, prospective participants that remain eager to join your program *throughout* the application and orientation process are likely to be ready to take on the challenge of long-term saving.

Assessing potential population's capacity for asset ownership will depend, to some extent, on the structure of your program and nature of your community. For example, IDA programs that feature a more generous match structure (higher matching rates, lower expectations for participant saving), a longer accumulation period, or more affordable permissible uses, will succeed in helping lower income participants become asset owners. Programs that aim to cultivate ownership of more expensive assets (homes, for example) and are located in expensive regions of the country may need to target a higher income population in order to be effective.

Some IDA programs may decide not to be overly concerned with their target population's capacity for asset ownership, reasoning that: 1) IDA program participation creates benefits for participants *other* than asset ownership, and 2) it is impossible to predict what changes may occur in participants' lives over the course of their involvement in an IDA program. This approach should, however, be the result of a conscious decision on the part of the sponsoring organization, not simply a hasty or insufficient program design process.

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Funder Requirements: An Example

The Assets for Independence Act

The federal Assets for Independence Act (AFIA) limits funding to participants who are eligible for Temporary Aid to Needy Families (TANF) or who qualify for the Earned Income Tax Credit (EITC). If your program plans to pursue AFIA funding, it will need to target populations that meet these criteria (see Appendix F). While considering a funding source might not seem like the highest priority when establishing a target population, without researching funding sources your organization may realize late in the program design process that a target population decision has excluded funding options. An IDA program that wishes to target very low-income participants, for example, might very well end up with a population that meets AFIA guidelines; however, failure to write participation guidelines specifically around TANF and EITC eligibility would needlessly jeopardize such a program's ability to qualify for AFIA funding.

ⓘ ***For more information on funding requirements for AFIA, go to the Department of Health & Human Services' web site at: http://www.acf.dhhs.gov/programs/ocs/kits1.htm***

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3rd Consideration: Funding

What target populations are funders likely to support?

While no IDA program should be conceived solely in an effort to appeal to funders, all programs must consider how they will raise the funds that are necessary to provide savings matches and meet operating expenses. Major funders often prefer to provide support for programs that serve a specific population. Once your program has established likely sources of major financial support, determine which types of populations interest those funders. You may find that funders are interested in a group you have already decided to target, or you may find that a slightly broader target audience will make your program more fundable. In some cases, acquainting yourself with funders' priorities may even help your program identify distinct, fundable subgroups or populations within your overall target population that would otherwise have remained unrecognized.

4th Consideration: Participation Guidelines

How can your program set participation guidelines to attract your target population?

Once your program has selected its preferred target population, examined this first choice population for asset ownership capacity, and researched the interests of potential funders, you will need to draft participation guidelines that will result in participation from your target population. Some common tests for IDA program participation include:

Income Level. In order to ensure IDA resources are channeled to people in need, most IDA programs specify that applicants' household incomes be under some type of ceiling, such as a percentage of federally defined poverty or of median income (see sidebar that follows this section).

Net Worth (Asset Ownership). Some IDA program staff feel that income level is not a true or sufficient indicator of a potential participant's economic situation and therefore prefer to target families whose net worth is below a certain ceiling. While this approach may result in more effective targeting, it can be difficult to accurately assess net worth and allow for reasonable exceptions (families who, despite owning a home, still have a very low income, for example).

Earned Income Level. Most IDA program sponsoring organizations believe that long-term saving and asset ownership are only possible if a participant has some pattern of a steady earned income either in addition to, or instead of, income from public

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Participation Based on Income Level

How can your program create income-related participation guidelines?

Although the federal government issues guidelines for poverty levels in various regions and conditions (see Appendix F), many people consider these to be calculated on an outdated standard for decent living in the United States. While these remain the official guidelines, many means-tested programs use a percentage of the Median Family Income* (usually 65% to 85%) or a percentage above the official poverty guideline (usually 150% to 185%). In some city wage structures, and wage minimums for firms that seek state tax incentives, the issues of poverty guidelines and minimum wage are being linked to living wage campaigns or self-sufficiency indexes to illustrate what minimum income is required to meet families' basic needs. Wider Opportunities for Women (202/638-3143) has developed guidelines for several states. Learning about the calculation of such standards can be extremely useful in understanding the income of IDA participants, against both absolute and relative measures of financial well being, for both the poor and the working poor. When compared to an individual's or family's income, they can also help IDA program staff understand participants' relative degree of difficulty in achieving regular saving.

ⓘ ***The latest Area Median Income figures can be found on HUD's web site at http://www.huduser.gov.***

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assistance. For this reason, some IDA programs have dictated that participants must have a minimum level of earned income as a condition of participation.

Attitude Issues. Many IDA programs have found that potential participants' attitudes are great indicators of the likelihood an IDA program will be a good match for them. A candidate's openness to change, ability to accept constructive feedback, or prior experiences in long-term, change-oriented programs may indicate how ready he or she is to benefit from classes or to contribute constructively to a group discussions.

Prior Organizational Affiliation. Citing IDAs intensive, long-term nature, some programs have required that potential participants have a history with their sponsoring organization. These programs reason that a prior relationship with their organization will mean that a participant has the necessary stamina and trust to stick with saving even when it becomes difficult.

Section 2.4: Program Scope

An important step in laying a foundation for your IDA program is establishing its *scope*, the size, and duration of your program. The scope of your program will have implications for nearly every other program design element and should be considered early on in the development process.

Three

Program Scope Considerations

1. **How should your program choose how many participants to enroll?**
2. **What factors should influence your program's length?**
3. **What other issues should your program consider when establishing its duration?**

1st Consideration: Number of Participants

How should your program choose a maximum number of participants to enroll?

Establishing the size of your program requires weighing your community's need for asset building against the available resources of your organization. Although it may be tempting to design your program to accommodate as many participants as possible, it is important to temper your organization's ambition with the considerations listed below. Remember, if the goal of your IDA program is to create asset owners, it may be better to help 50 participants truly achieve asset ownership than to overextend your organization's resources and help 100 participants to save but fall short of their asset goals.

Factors that Influence a Program's Enrollment:

Matching expenses. The most immediate effect of adding participants to your program is an increase in required matching funds. Although match funding can be raised, it is important to be clear about the increased fundraising pressure that additional participants will create; otherwise, your program may be tempted to spread match dollars too thinly among participants rather than raise additional funds. Compromising the integrity of your program's match structure in an effort to serve more participants will ultimately jeopardize the success of *all* of your participants.

Operating expenses. While the relationship between the number of participants in your program and required matching funds is readily evident, the impact of additional participants on your operating expenses may be less obvious. Primarily, additional participants add operating expense because they increase the amount of staff time required to run your program, both administratively and programmatically.

Staff time. Beyond the expense of staff time, programs must consider the availability of staff resources. Greater numbers of participants require more time to properly keep records, counsel participants, recruit prospective savers, and present financial skills building trainings.

Asset ownership preparation capacity. Of the various staff responsibilities which grow with the size of an IDA program, none is more critical than the time staff will spend helping participants prepare for asset ownership. Participants training and counseling are all time-intensive staff or program partner functions that will grow proportionately to the number of participants.

Fortunately, while larger IDA programs do require more funding and staff resources, programs will also benefit from certain economies of scale. As the number of participants increases, the amount of resources expended in designing and implementing your program will not appreciably increase. For this reason, while one full time staff person may be required to serve the needs of your first 50 participants, for example, a second staff person may expand your program's capacity to as many as 125 participants.

ⓘ ***For more on staff responsibilities and time requirements, see the Staffing section of Chapter 3.***

2nd Consideration: Program Duration

What factors should influence your program's length?

The overall length of your program will be the sum total of your *design phase, accumulation period*, and *evaluation stage.*

Design Phase. During the design phase your organization will establish the objectives of its IDA program, choose a target population, craft a program structure, recruit program and financial institution partners, and begin to arrange program funding. Depending on the number of people involved in the design phase, it may last as little as several months or as much as a year or more.

Accumulation Period. This is the period of time during which participants will be accumulating savings and match money for use toward their asset goals. Primarily, the length of this program stage should be driven by the amount of time participants will require to save and prepare for asset ownership. Bear in mind that all participants will not begin saving at the same time. Most programs stagger participants in "waves" in order to be able to even out the demands of recruiting, financial skills building training, and qualified withdrawals.

ⓘ ***For more information on accumulation periods, refer to Section 3.2 on page 45.***

Evaluation Stage. As IDA programs are still an experimental undertaking, most programs build in an evaluation stage during which program data can be reviewed and conclusions drawn about the successes and failures of the program. Depending on the extent of the evaluation process, evaluation stages can extend from months to a period of years. Evaluations may be undertaken with a significantly reduced staff or staff members who are simultaneously engaged in other projects. Many IDA programs are evaluated by outside third parties, which eliminates or reduces the need for in-house staffing.

3rd Consideration: Additional Duration Issues

What other issues should your program consider when establishing duration?

Cost. As a general rule, the longer a program runs the more it will cost. This is true both in terms of operating expenses and matching funds, although matching fund expense will also be heavily impacted by the match structure a program establishes. Programs should be sure that they will be able to support a program for its entire planned duration before settling on a program length.

Partnerships. Because program and financial institution partners are essential to an IDA program's success, organizations should be certain that prospective partners are willing and able to be committed to their partnership obligations for the entire length of an IDA program.

Organization's History. One good indicator of your program's ideal duration may be your organization's prior experience with long-term programs. Organizations that have been successful in maintaining programs over several years may be better positioned to weather the inevitable challenges of a long-term undertaking. Conversely, organizations that traditionally work with clients for short periods may aim to design an IDA program that does not require an especially lengthy operating period.

Participant Motivation. IDA programs depend, to a great extent, on their ability to convey a sense of hope to prospective participants. During discussions of program length, organizations should be careful not to design a program that requires participants to save for *too* long a period. As a rule, accumulation periods longer than four years will be a hard sell to prospective participants and/or funders. Bear in mind, however, that the intended accumulation period for any individual participant need not be the same period of time that the IDA program will be operational, as participants may reach their goals before a program concludes.

Section 2.5: Integrating Your IDA Program

When possible, organizations should try to build IDAs into, and integrate them with, existing programs. Integration will enable programs to leverage existing infrastructure and program resources. This section examines how your organization can integrate IDAs into your existing programs and discusses the advantages of doing so.

Program Integration Considerations

1. **Why should your IDA program target your organization's current clients?**
2. **Why should your organization offer IDAs as part of existing programs?**
3. **What other ways can your IDA program be integrated into your organization?**

1st Consideration: Targeting Current Clients

Why should your program draw participants from your organization's existing clientele?

Most IDA programs find that recruiting participants, particularly in the initial stages of a program, is a tremendous challenge. Fortunately, turning to your organization's existing client base can provide a ready supply of prospective participants, relieving recruiting pressures and offering several advantages:

- **Built-in market.** IDA target population is already in place at the time you start your program. As a result, you do not have to rely solely on your advertising and marketing efforts or referrals to attract potential participants. You can start your IDA program as soon as you receive funding. Additionally, you have already established a certain level of trust with your participants. In light of the challenge of recruiting, this advantage is particularly significant.
- **Committed target population.** Potential IDA participants have already been screened by your organization for another program. This ensures that they have met and understood your organization's mission and the standards and commitment required of them to participate in your existing programs. Participants may also be familiar with asset-building strategies.

2nd Consideration: IDAs in Other Programs

Why should your organization offer IDAs as part of existing programs?

Although it may be natural to conceive of IDAs as a new, freestanding program, many organizations have had success in offering IDAs to clients who are already enrolled in other agency programs. This approach allows IDAs to be used by those who have undertaken steps toward economic independence or asset ownership, such as homeownership or microenterprise programs, and who have a demonstrated need for the tangible and intangible benefits of IDA participation. At the same, sponsoring organizations can forego some of the cost and complexity of starting a building an entirely new program. Consider these advantages to offering IDAs as a component of your organization's existing programs:

- **Ready made participant base.** By offering IDAs to existing clients, your organization effectively eliminates a time intensive and costly element of most IDA programs, participant recruitment. In addition, families who have already demonstrated a commitment to asset building by participating in your organization's other programs are likely to be motivated and goal oriented. IDAs can become part of an existing program package and are not likely to be misunderstood as grants or "give-aways."

- **Knowledge of participants.** Involving existing clients will mean your organization's staff will have experience working with the families who open IDAs. This experience can help staff members tailor or structure your organization's IDA program design to meet the unique needs of the participants. This customization will likely improve the odds that participants get what they need from IDA participation in order to succeed as long-term asset owners.
- **More knowledgeable participants.** Participants who have focused on asset development in other programs should be aware of the challenges of asset ownership have a sense of steps they must take to reach their asset goals. This awareness will give these IDA holding families an important advantage in working toward their goals and may allow them to more readily embrace the lessons of personal finance or money management education.
- **Less expense and complexity.** By adding to an existing program or programs, rather than starting an entirely new one, your organization will reduce the overhead cost of making IDAs available to your clients. Not only will your agency save time and money on participant recruiting, but in many cases less total staff time will be required to manage your IDA obligations.

3rd Consideration: Other Integration Opportunities

What other ways can your IDA program be integrated into your organization?

- **Staff Issues.** IDA programs require a wide range of skills, from an aptitude for efficient record keeping to a talent for counseling participants. Organizations often employ talented individuals whose skills can be a great service to IDA programs and participants. Financial skills building sessions, for example, represent a great opportunity for the staff of your organization's other programs to share their experience and knowledge while publicizing their own programs. Similarly, IDA staff training or staff development sessions can be made available to all agency employees in an effort to broaden the base of asset-development knowledge throughout your organization.
- **Partnerships and Funding Sources.** Other programs in your organization may wish to combine forces with your IDA program in cultivating program and funding partners. A program partner who agrees to focus on recruiting, for example, might very well be able to identify and refer qualified candidates for other programs in your organization. By combining forces, your IDA program may broaden the range of resources it can access.
- **Recruiting and Public Relations.** Activities that involve working with the public, such as publicity work and recruiting, are naturally areas for intra-organizational cooperation. These activities are often labor intensive and can generate interest from a range of parties, some of whom may not be appropriate for IDA involvement but would be for other programs, or vice versa. If your organization maintains a mailing list or publishes a newsletter, your program should explore how these existing resources can be utilized.

Section 2.6: Program Partnerships

Early IDA practitioners have universally acknowledged the importance of recruiting strong program partners. *Program partners* are other organizations — social service agencies, financial institutions, government agencies, local employers — that share an interest in the mission of your IDA program and are willing to invest their resources to ensure its success. Because even modest IDA programs are an ambitious undertaking, partnerships are essential if a program is to successfully cultivate asset development.

Four Program Partnership Considerations

1. **Why should your program pursue partnerships?**
2. **To which areas of IDA pro-gram operation can partners contribute?**
3. **How can your organization recruit partners?**
4. **How can your organization successfully manage partner relationships?**

1st Consideration: Why Partner?

Why should your program pursue partnerships?

Strong partners bring a wealth of resources to your IDA program. As your organization begins to brainstorm about what types of program partnerships to seek, it may be helpful to consider first some examples of the resources partners could offer your program:

- **Expertise.** Partners bring expertise and tools to your program that your organization may not have. Successful IDA programs must master a broad range of skills, from teaching financial skill development to managing savings account activity. Even the most well established sponsoring organization will not be able to handle *all* aspects of an IDA program without assistance. Partners can supplement the resources your program has and provide expertise it lacks.
- **Efficiency.** Although some of the tasks for which IDA programs may seek to enlist partners could be handled by the program itself, efficient operations assign responsibilities to the most experienced and qualified parties. Your program could research and provide asset-specific training, for example, but might find it immeasurably more efficient to enlist a local homeownership program to provide that type of specialized counseling.
- **Financial Support.** IDA programs are resource-intensive. For most organizations it is unrealistic to support the entire operating or savings match cost without outside assistance. Not only can partners provide direct financial contributions, they can also contribute "in-kind" services, like facilitating financial skills building workshops, that offset the overall cost of your program.
- **Credibility.** To a certain extent, IDA programs will be judged "by the company they keep." Prospective participants and funders will be impressed by seeing that other organizations or government agencies are willing to attach their name and support to your program. It is also natural for people to feel more comfortable being involved with or supporting an initiative that they feel some connection to. Reputable partners will broaden the circle of people who feel a personal connection to your IDA program. On the flip side, partners with poor reputations will damage your program's credibility.

- **Manageability**. Very simply, running an IDA program without assistance is too much for almost any organization. Helping low-income families become sustainable asset owners is an enormous undertaking that, if successful, will have implications on an entire community. IDA programs should strive to involve the community in the process of program development and implementation.

2nd Consideration: Partnership Possibilities

To which areas of IDA program operation can partners contribute?

In order to benefit fully from partnerships, your organization should define some of the specific contributions partners might make to your program. The clearer sense you have of how a partner might support your program, the more successful your partnerships will be. Some examples of partner contributions include:

- **Account Management.** Because all IDA programs ask that participants establish savings accounts at financial institutions, a bank, thrift, or credit union partner that is willing to address the unique requirements of IDA accounts is essential.

  ⓘ ***For more information on partnering with financial institutions, refer to Section 3.5 on page 68.***

- **Funding.** Partner organizations, as compared to other potential funders, can be a valuable source of matching and operating funds for your program because they will have come to understand the concept of asset building and should feel a stake in the success of your program. In addition, partner organizations that refer their own clients to your program may view IDA support as an investment in their own mission and clientele.
- **Recruiting.** Because IDAs are a relatively new concept, recruiting is a time-consuming and laborious process for most programs. Partners who agree to help recruit participants can substantially increase the reach, efficacy and efficiency of your program's recruiting efforts.
- **Financial Skills Building.** Teaching participants the skills that will enable them to manage their resources most efficiently and prepare for asset ownership is an enormous undertaking. Qualified partners can reduce tremendously the time required both to develop a financial skills building curricula and to present it to IDA participants. In addition, capable partners may add experience that your organization lacks.
- **Asset-Specific Training**. Beyond the basic financial skills building, the asset goals of homeownership and microenterprise require participants to undertake significant specialized training and preparation. Here too, partners can be a tremendous resource, liberating IDA staff from the burden of understanding these complex subjects in great detail and from allocating time to train participants.
- **Participant Counseling.** IDA program staff may be intimidated by the prospect of providing direct support or counseling to participants experiencing a crisis or other pressing need for individual support. Qualified partners may be able to alleviate staff anxiety through training, supervision, or by providing direct service to IDA participants.

- **Policy Advocacy.** Some organizations that sponsor IDA programs are not accustomed to working in the public arena as vocal policy advocates. Because this is a specialized skill set, partners can provide experience and strategic guidance about how to navigate state and local government, or how to most effectively use the media.

- **Public Relations & Publicity.** Many aspects of running a successful IDA program, from fundraising to recruiting participants, can be impacted by an organization's public image and presence in the media. Program partners with experience in drafting press releases, generating news stories or effective marketing can be invaluable in these areas.

3rd Consideration: Recruiting Partners

How can your program persuade appropriate organizations to enter partnerships?

For many IDA programs the challenge of recruiting partners is the primary obstacle to realizing partnerships' full potential. While many people do not feel comfortable initiating collaboration with other people or organizations, several suggestions can ease the process:

- **View partnerships as a two-way street.** IDA programs should appreciate that partnerships with their program can and should be mutually beneficial for partners. Financial institutions stand to gain new customers and earn CRA credit. Employers should increase employee retention and reliability while generating positive publicity. Other social service organizations will have a powerful anti-poverty resource at their disposal. As your program sets about recruiting partnerships, it is essential that you approach prospective partners with an understanding of what the partnership can accomplish *for them*.

- **Look for organizations with a similar mission.** Prospective partners will be more interested in your partnership invitation if they have something in common with your organization. If your organization serves a particular population, for example, seek partners who target this same population as customers or clients. If your organization has an anti-poverty mission, consider partners who have a stated interest in anti-poverty work (local churches, social service agencies).

- **Consider who will benefit from your program.** IDA programs do not just benefit IDA holders; participants in your program will be investing savings and match money in their communities and will likely become more invested community members as they move toward economic stability and independence. With some education, organizations in your community can be helped to understand how *they* will benefit from a successful IDA program. If your program will create homeowners, for example, you may wish to seek partners who have an interest in higher homeownership rates (local government, churches) or in selling homes (real estate agents, financial institutions).

- **Appreciate that partnerships come in different forms.** Not all program partners will be similar — some partners may be in a position to offer significant financial support, but will have no staff time to assist in actually implementing your program. Other partners may be able to refer a sizeable number of participants, but have no funds to contribute. As your program recruits partners it should remain flexible and recognize that every organization will have different strengths and capacities. As long as a potential partner will be committed to the goals on which you agree, and can contribute something of value to your program, you should be able to craft a partnership arrangement that will be successful and effective for both parties.

- **Seek organizations that are in a position to help.** Although partners must be *willing* to help your IDA program, they must also be *able* to serve your program. If your program is seeking a partner who will provide funding support, make certain you are approaching prospective partners who have available resources. In the case of corporations, check public records and recent newspaper articles to determine if they are currently profitable. If your program needs a financial skills building training partner, examine your target's program literature to determine if they possess financial skills training expertise or training programs.

- **Start with organizations with which you have a history.** Most IDA program sponsors have track records with other organizations in their community. It will be easier to recruit partners who know your organization, whether from a prior program affiliation or through a vendor or customer relationship. These organizations are a good place to start looking for partners; once your program has enlisted even one significant partner, others may be more likely to sign on.

4th Consideration: Managing Partnerships

How can your organization successfully manage partner relationships?

Although recruiting partners is often a barrier to productive partnerships, it is the on-going relationship between an IDA program and its partner organization that will determine the success of the affiliation. The following suggestions can help your organization maintain strong partnerships:

- **Solidify partnerships with a written agreement.** Most organizations, including those that sponsor IDA programs, find it worthwhile to commit significant agreements to paper. This process motivates all parties to examine the commitments they are assuming and should ensure that misunderstandings are cleared up from the outset of a relationship. Written agreements are also very effective in refocusing a partnership that falters midway into a program's development.
- **Choose partners who understand asset development.** Partners who are committed to the asset development goals of your IDA program will feel a stronger tie to your program. Where possible, choose partners who support and understand the philosophy underlying IDAs or who are willing to learn about it as a part of their partnership.
- **Foster on-going communication.** Successful partnerships are not established, they are cultivated over time with extensive contact between IDA programs and the partner organizations. Regular communication makes partners feel valued and informed, and will allow your program to quickly identify partners who are not fulfilling their end of an agreement.
- **Seek a financial investment from partners.** Partners who are willing to make a monetary investment in your program are more likely to view their commitments to your program as organizational priorities. Requesting financial support is important not only to raise funds, but also to solidify partnerships: partners are who make a financial contribution to your program will be serious about helping it succeed.
- **Ensure both sides have clear, defined expectations.** In order for a partnership to work for both partners, each party must have a clear sense of what it will get from the relationship and what it is expected to contribute. The more precisely these issues can be spelled out in advance, the lower the potential for confusion or disappointment as the program proceeds. If a partner is to assist in recruiting, consider identifying the numbers of prospective participants that partner will refer, for example.

- **Share successes and publicity.** In order for partnerships to truly be a "two way street," IDA partners must receive ample credit for their contributions. In some cases, positive publicity is the only major benefit for partners. It is therefore critical not to underestimate the importance of sharing program successes and referring to partners' contributions frequently in program literature, press interviews, or other public forums. Sharing your program's success does not diminish its significance to your organization, but it will make a tremendous difference in the long-term effectiveness of your partnerships. Additionally, publicizing the involvement of a well-known partner can strengthen support for your program.

3 Program Structure

3 Program Structure

3 Program Structure

Once you've determined that your community can support an IDA program, a number of decisions remain to be made concerning the specific features of your program. For example, what asset purchases will be allowed in your program? How will accounts be structured and how will match funds be distributed? What type of financial institution is best suited to meet the needs of your target population? How will your program be staffed and supported? This chapter will guide you in addressing these and other critical questions that will shape your IDA program.

Section 3.1: IDA Permissible Uses

Perhaps more than any other single design decision, determining permissible uses for IDAs will greatly impact the ultimate outcomes of your program. Before considering permissible uses, you should therefore revisit the program objectives you established in Chapter 2. As you consider different potential IDA uses, allow your program objectives to serve as a guide and litmus test. Will allowing participants to spend their IDAs in a given manner further the objectives you laid out for your program? Will a given use promote asset-building in your community?

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Key Terms

Permissible Uses (also referred to as asset goals) are the asset options for which an IDA account may be used. Decisions on uses should be based on the asset-building needs of participants (discovered through focus groups as described in the Feasibility Assessment section of this handbook), your organizational capacity, availability of other asset-building programs in your locale, and availability of funding for a given use.

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Guidelines for Permissible Uses

Although the uses listed in this section are the most common applications of IDAs, it is likely that your program will encounter requests for other uses. Two general guidelines should be followed when considering other permissible uses. IDA uses should be reasonably likely to:

1. **Create economic self-sufficiency** – develop and improve participants' ability to provide for their needs and the needs of their families.
2. **Appreciate in value** – provide participants and their families with an investment that is likely to increase in value over time.

As an example of how to apply these criteria, consider the asset goal of homeownership. Homes foster self-sufficiency by giving owners stability, autonomy, freedom from the ups and downs of the rental market, and a stake in their community. Historically, most homes have held their value or appreciated over the long term.

Conversely, money spent on new clothes will not foster self-sufficiency and will *depreciate* rapidly. Although clothing is an essential need and may indeed be a prerequisite for economic independence, it is not an appropriate use for an IDA. A participant who is in need of new clothing may not be ready to start a long-term savings program and work toward asset ownership. It is important to recognize that although a potential expenditure may meet a participant's immediate, pressing need, it may not be an appropriate use of an IDA.

Primary Uses of IDAs

The primary asset-building uses of IDAs involve direct costs associated with:

- **Homeownership.** The down payment and/or acquisition costs on a primary residence. It is important for participants to complete a homeownership course that will ensure they are prepared for the long-term realities of monthly mortgage payments and home repairs.
- **Home Repair.** Home repairs can protect or add value to a participant's existing asset. You may choose to limit this permissible use to essential repairs or improvements (installation of indoor plumbing, roof repair). Repairs should add value that is equivalent to or greater than cost.
- **Education or Vocational Training.** This permissible use should enhance participants' career opportunities and earning potential by increasing their capacities and credentials. Local universities, community colleges, adult education centers, and vocational education facilities are possible sources for this training.
- **Self-Employment (start-up).** Seed capital for entrepreneurs to start up their own businesses. To increase the odds of success, it is vital that participants receive business training through a microenterprise program before using IDA funds for this asset goal.
- **Self-Employment (business asset).** Includes business-related purchases or expenditures designed to grow or stabilize an existing microenterprise. IDA funds should be used as part of an overall business strategy, in conjunction with a business plan, and in a manner that is likely to add lasting value to the business.

Other Possible IDA Uses

Saving for retirement/investments

Argument for: If IDA holders invest their savings for a future use (in Certificates of Deposit or mutual funds, for example), they should appreciate in value. Preparing for a future need, like retirement, may also improve the quality of life for a participant.

Argument against: invested funds could be used in a whole variety of ways, many not related to asset building. Because participants' savings won't be spent until some future date, it is very difficult to know how these funds will be used.

Organizations considering this asset goal should concentrate on defining how retirement IDAs may be invested and exactly what they may ultimately be used to purchase. Requiring that funds be placed in an IRA (Individual Retirement Account) or Roth IRA may provide an incentive for participants to hold funds until retirement.

Automobile Purchases

Argument for: Lack of transportation is one of the biggest barriers to employment. Possession of an automobile improves the range of jobs for which an individual can apply and increases the geographical area in which that individual can work.

Argument against: Automobiles depreciate rapidly, often faster than owners build equity in them. Uninsured automobiles can lose all of their value quickly, through theft or accident.

Mobile Homes

Argument for: In rural areas and high-priced markets, mobile homes may be the only viable homeownership option for IDA participants. A mobile home purchase can offer freedom from paying rent, and can also be the first step to establishing good credit.

Argument against: Like automobiles, mobile homes depreciate rapidly. Additionally, financing arrangements at mobile home parks can be predatory, so leasing or renting a plot of land on which to park a mobile home is also risky.

Costs associated with asset acquisition (textbooks or childcare, for example)

Argument for: Facilitates asset ownership by providing needed funds to address issues that typically prevent asset development (such as a lack of childcare).

Argument against: Without clear guidelines, IDA funds might be used for on-going life expenses that are unrelated to asset development. This use is also difficult to define precisely and therefore more open to abuse and harder to evaluate.

Emergencies

ⓘ *For a discussion of emergency withdrawals, refer to Section 3.5 on page 57.*

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Case Study: Retirement as an Asset Goal

Community Action Project of Tulsa County (CAPTC)

CAPTC staff wanted to include saving for retirement as a permissible use in their IDA program because, they reasoned, retirement resources are an important need among members of their target population and are indeed an appreciating asset. However, CAPTC was concerned that after participants' IDA program involvement ended, they might spend savings and match funds before reaching retirement age. After considering this issue, CAPTC settled on several steps to ensure retirement IDAs would be used for their intended purpose:

Utilize IRAs (Individual Retirement Accounts). IRAs are special savings accounts that are subject to certain tax advantages and restrictions. In particular, the interest or investment earnings in an IRA remain tax-deferred until funds are withdrawn at retirement (in some cases, interest or earning may even be tax exempt) and most withdrawals prior to age $59^1/_2$ are subject to taxation and penalty. This last feature was appealing to CAPTC; in effect, an IRS penalty would provide one strong incentive for participants to avoid early withdrawals. At the same time, participants' savings will grow more quickly because of their tax-deferred status.

Require an Affidavit. CAPTC wanted a commitment from participants that they would leave their retirement IDAs undisturbed until retirement age. They decided that asking participants to sign a written affidavit would formalize this commitment. Although an affidavit may prove to be impractical to enforce, it does symbolize the seriousness of the promise participants make to CAPTC.

continued next page

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Three

Considerations when Determining Permissible Uses

1. **What are the needs and wants of your target population?**
2. **What asset goals are feasible in your community with your target population?**
3. **What resources exist to help participants reach their asset goals?**

1st Consideration: Your Target Population

What are the wants and needs of the people who will be in your IDA program?

The entire IDA concept exists, ultimately, to help low-income families and individuals achieve a higher quality standard of living. Both philosophically and practically, it is therefore critical to begin choosing permissible uses by considering the interests of your target population. Three questions will help you connect to the needs of your participants:

1. For what assets will your target population be willing to save?
2. What assets are reasonably attainable for your target population?
3. What assets are likely to make a *lasting, meaningful* difference in the lives of your target population?

On a practical level, focus groups are a good means to determine what your participants want and need. (For more on focus groups, see the *Feasibility Assessment* section of Chapter 2). In addition, you can solicit input from existing clients of your organization.

2nd Consideration: Feasibility

What permissible uses are feasible goals in your community with your participants?

IDAs are not just about a process of saving or forming new financial habits and behaviors. In the end, IDAs are about participants owning assets. It is therefore incumbent upon you to ensure that your IDA program's permissible uses are reasonably obtainable, in *your* community, for most participants. Two issues should be explored:

Cost. What does the proposed asset cost in your community? If your program will offer homeownership as a permissible use, talk

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Case Study: Retirement as an Asset Goal

(continued)

Request Annual Updates. In order to monitor participants' retirement IDAs, CAPTC decided to ask participants to submit copies of their IRA account statements on an annual basis. This practice allows CAPTC to know when a participant has taken a withdrawal and ensures that participants are keeping a watchful eye on their savings.

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Permissible Uses that Serve a Need

Case Study: Health Care IDAs

In addition to its business asset accounts, HRDC/Capital Opportunities in Bozeman, Montana created health care IDAs that would pay part of the cost of health insurance premiums for its target population (mostly TANF recipients). However, the amount of funding provided by participants' health care IDAs was insufficient to pay for adequate health care coverage. As a result, less than a handful of HRDC/Capital Opportunities' clients pursued this asset-building option.

Focus group studies can help to ensure that your organization develops permissible uses that meet the needs and desires of your target population.

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to realtors and look at newspaper ads in order to determine what an entry-level home costs. If your program will offer education as an asset goal, call a local community college and inquire about tuition costs and fees.

Financing. How can an asset goal be purchased? Because most substantial assets are not purchased with cash, first time buyers may need to be as concerned about financing and the size of their downpayment as the total price of an asset. What is a typical downpayment rate in your community? What minimum income level is required to obtain a mortgage? What percentage of tuition can be financed with student loans?

Once you have a handle on the costs, both the total price and the cost of the probable "first step" (like a down payment), compute how much a typical participant is likely to accumulate in savings over the life of your IDA program. With matching funds and interest, will an IDA be enough to bring the asset goals your program is considering within reach of most participants?

Remember, participants face barriers to ownership beyond just the size of their IDAs. In most cases, participants need to have enough credit to qualify for financing, training on managing the new asset, and solid personal financial skills in order to make asset ownership sustainable. However, this preparation will be wasted if the financial price of the asset is not affordable.

3rd Consideration: Available Resources

What resources exist to help your participants reach their asset goals?

Fortunately, IDAs are not the only resource available to help participants reach their asset goals. Both financial and non-financial forms of assistance already exist to help low-income families become asset holders. Before settling on a list of permissible uses, your program should take an inventory of what resources are available to help your participants. These resources may be the key to leveraging IDA dollars into the assets your participants are working to obtain. Some key asset building resources:

- **In your organization** – Does your organization offer or sponsor existing programs that focus on asset building or have an asset building component? Existing microenterprise or homeownership training, for example, may be made available to IDA participants.

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Determining Feasibility Uses: An Example

Center for Community Self-Help

Programs should examine the feasibility of each permissible use they select. For example, the Center for Community Self-Help asked a series of questions to determine whether homeownership was feasible for their program:

- What are participants' income levels?
- What type of home can a family afford on that income?
- Do houses for this population exist in this area?
- Are housing subsidies available to make homes more affordable?

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A Special Note about Funding Sources

Funding sources are one resource that is essential for any permissible use, because without operating and matching funds, participants won't have IDAs to use toward their asset goals. It is therefore worthwhile to pay particularly close attention to the restrictions and preferences of your funders. While IDA programs should not adopt illogical or unworkable permissible uses simply to please funders, you may be able to find funders whose priorities correspond to your IDA program's mission. If your program will use public money (such as the federal Assets for Independence Act), it may be even more essential that you pay attention to the restrictions imposed by your funding source, as government agencies are generally less flexible about their rules and guidelines than other funders.

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- **In your community** – Do other organizations in your community (your partners, perhaps) offer asset-building programs? Microenterprise training, homeownership workshops or first time buyers' programs, grants for community college, adult education courses, or vocational programs may already be offered. Connecting your participants to these programs can make these asset goals substantially more attainable.
- **Beyond your community** – Can you identify additional local resources by looking outside of your community? Using the Internet and publications from national organizations may help you to locate other relevant programs or agencies.

Key Points to Remember

- IDAs were created as an asset-building strategy, and they cease to function as asset building tools when used for food, personal items, luxury items, or rent (as opposed to, for instance, mortgage payments).
- IDAs do not need to be, and cannot be, all things to all people. By rejecting a particular permissible use, your program is not necessarily declaring that that use is unimportant. Participants are still free to pursue other options to acquire the item or service they need. For example, if your program decides against allowing automobiles to be a permissible use, you may still help participants find low-cost car loans or assistance in purchasing used automobiles.
- IDAs are intended to help participants make lasting changes in their financial situation. By permitting IDAs to be used for immediate needs, a program may be allowing a participant to "spend" one of his or her only or best hopes for substantial asset ownership. IDA programs, by restricting permissible uses to true asset development goals, may help participants hold on to their dreams even when more urgent needs arise.

Section 3.2: Match Structure

Match structures are the core of your IDA program, the nuts and bolts mechanism that will allow participants to leverage their savings into the permissible use of their choice. The best approach to defining a match structure is therefore to work backwards from what you are trying to accomplish. In other words, start by researching the real cost of the asset goals your participants will be trying to obtain — effectively the "target" for your participants. Then fashion a match structure that will enable participants to access enough funds to hit their target.

Designing a match structure is something like erecting a tall building; each piece becomes the foundation for the next. It is therefore important to consider the essential elements of a match structure in order. The following six steps should guide you.

Six Steps to Establishing a Match Structure:

1. **Project the cost of each of your program's permissible uses.**
2. **Determine how much your target population can afford to save each month.**
3. **Establish the length of your program's accumulation period.**
4. **Calculate your program's match rate or rates.**
5. **Set your program's match ceiling for participants' contributions.**
6. **Review your structure for feasibility and fundability; revise as necessary.**

1st Step: Cost of Permissible Uses

Establish the approximate cost of your program's permissible uses.

Of the different determinants of your match structure, the projected cost of your program's asset goals is generally the least flexible. Your program will not be able to change significantly the amount of money participants will need to acquire a home, start a business or attend school. As a relatively "fixed variable," asset cost is the best place to start the match structure design process. Some things to consider when estimating the price of your program's asset goals:

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Key Terms

Match Structure: the combination of an IDA program's match rate, accumulation period, match ceiling and monthly savings range that together should enable participants to leverage their IDA savings into enough funds to acquire the permissible use of their choice.

Accumulation Period: the length of time from when participants open their IDA accounts to the point they have accumulated sufficient savings and matching funds to purchase the asset goal of their choice.

Match Ceiling: the maximum amount savings match any individual participant may receive. Match Ceilings may be expressed in terms of match dollars (i.e., $1,000 of match per year) or in terms of matchable savings (i.e., up to $500 of participant savings per year will be matched 2:1). In addition, Match Ceilings may apply both for each program year of participant savings and for his or her total savings (i.e., up to $1,000 of match funds per year and no more than $3,000 over the life of the program). Note that a ceiling on matchable savings does not imply a limit on participants' **unmatched** savings.

Match Rate: the rate at which participants' savings deposits are matched. For example, a program with a 3:1 match rate provides three dollars in matching funds for each dollar a participant saves, a total of four dollars toward a participant's asset goal.

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- **Do some research**. While it is difficult to accurately project the cost of asset ownership, some basic research can be informative. For homeownership, speak to real estate agents and monitor newspaper ads to determine what an entry-level home in your community costs. Contact local homeownership programs (the Department of Agriculture's Rural Development Agency, for example) to find out how large a downpayment is typically required for first-time buyers and what forms of assistance are available to them. For business start-up, survey local microenterprise programs about the average start-up costs for microenterprises in different industries. Visit community colleges and local job training programs, and contact your state financial aid organization, to estimate the cost of a post-secondary course of study.

- **Think in acquisition terms**. Although your participants will ultimately be paying for the entire cost of their homes, businesses or education programs, their initial goal is more modest: to be able to acquire these assets. Your research should therefore focus on the acquisition costs of each asset goal. For homeownership that would typically mean a downpayment, closing costs and money for the first couple months mortgage payments. For microenterprise, acquisition costs might be funds for start up and several months of operating expenses. Acquisition costs for education might include the cash expense of tuition, books and fees not covered by scholarships or students loans.

- **Build in a cushion**. It is important that participants truly have enough funds to obtain their asset goals. The best approach to estimating asset costs is therefore a conservative approach. For example, don't just estimate the downpayment and closing costs for a home, include a "cushion" for unexpected home repairs and two months of mortgage payments. Include an extra month or two of operating funds when projecting the cost of microenterprise start-up. Assume that the real cost of an education program will include an unanticipated school fee or an extra textbook.

- **Identify resources to reduce asset costs**. A critical part of estimating the real cost of assets is identifying community resources that can serve to reduce the final price your participants must pay to acquire a home, start a business or go to school. You should search your community for grants, special programs or other types of monetary assistance. Contact local homeownership programs to see if they offer first-time homebuyer grants or special low downpayment programs. Work with mircoenterprise providers to identify business start-up grants (such as the Trickle Up program). Find out if your state financial aid office offers scholarships for low-income students or people in need of job training.

- **Project into the future**. Remember that participants will be ready to purchase assets after several years of savings. As you research assets costs, try to account for the effects of inflation, changes in the housing market, tuition cost increases or other factors which are likely to make assets more expensive, or more affordable, in the future.

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Key Terms

Monthly Savings Range: the dollar range within which participants are expected to make monthly savings deposits. For example, a monthly savings range of \$25-\$50 would mean that participants are expected to save at least \$25 but no more than \$50 every month.

Saving Capacity: the average amount of money participants are able to save in their IDAs on a monthly basis.

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2nd Step: Participants' Saving Capacity

Determine how much your participants are able and willing to save each month.

Any match structure must be built around your target population's interests and capacities. If participants are not able or willing to save at the rate your program projects, all the other elements of your match structure will not work as you have planned. It is therefore essential to consider the savings capacity and appetite of your target population before proceeding to other match structure considerations. Two approaches can help you estimate how much your participants will be able to save:

1. **Ask your target population.** Your program should assemble focus groups (see the *Holding Focus Groups* sidebar, Chapter 2, p. 20) and conduct informal interviews with your target population in order to gain insight into the amount prospective participants believe they would be able to save each month. Take care to ensure you are surveying people with incomes in the range of your target population. Remember too that prospective participants are likely to be skeptical about a savings program. People in poverty may be reluctant to believe at first that they have any money available for savings.
2. **Design a model budget**. Once your program has collected first-hand feedback from prospective participants, you can test their instincts by creating a model budget. Participants may be either unreasonably optimistic or excessively skeptical of their savings potential. A sample household budget, with reasonable projections for all basic living necessities charted against projected income, will help you place participants' feedback in context. While a model budget is not necessarily a more accurate predictor of participants true savings capacity than participants own intuition, it is a less subjective approach your program can use to arrive at what savings levels are theoretically possible.

3rd Step: Accumulation Period

Choose the length of your program's accumulation period.

The length of your accumulation period is one of your program's more flexible match structure components. Generally speaking, higher projected asset costs and lower participant savings capacities will suggest a longer accumulation period. However, accumulation periods should never be so long as to make participants' dreams of asset ownership seem unattainable. Accumulation periods longer than four years tend to discourage participation. Some programs set different accumulation periods for different asset goals. The choice of an accumulation period should be based on a number factors, including:

- **Program Objectives.** The length of your program's accumulation period can serve to reinforce its overall mission and specific objectives. For example, IDA programs that intend to focus on economic literacy and encourage participants to change personal and financial behaviors will find a longer accumulation period complementary to their objectives. Conversely, programs with a stated mission to help participants become asset owners as quickly as possible might favor a shorter accumulation period.
- **Recruiting Issues.** Your program will need to persuade prospective participants that asset ownership is truly attainable. In some target populations, the length of your program's accumulation period may impact how likely prospective participants are to enroll. Accumulation periods over four years are likely to seem overwhelming to participants and, potentially, funders and program partners. Longer accumulation periods are also likely to increase a program's dropout rate.

- **Operating Funding.** Longer accumulation periods require larger operating budgets.
- **Cost of Asset Goals.** More expensive asset goals warrant longer accumulation periods. Participants will need more time to save and will also benefit from compounding interest.
- **Match Rate(s).** Lower match rates mean that participants will have to supply more of the cost of asset ownership through their own savings. Longer accumulation periods provide participants with more time to save their portion of the total cost of their asset goal.
- **Participants' Capacity to Save**. Shorter accumulation periods will only allow participants to save a sufficient amount to acquire their asset goal if participants are able to save at relatively higher rates. Among populations who have a very limited savings capacity, longer accumulation periods may be required to make asset ownership feasible.
- **Evaluation Issues.** Shorter accumulation periods allow the evaluation process to begin sooner. Longer periods offer evaluators a chance to study the effects of longer-term saving and more thorough preparation for asset ownership.

4th Step: Match Rates

Calculate your program's match rate or match rates.

IDA programs have used match rates as high as 9:1 and as low as 1:1, although the majority of programs offer rates between 1:1 and 3:1. In order to attract participants and make asset building feasible within a reasonable timeframe (four years or under, for example), organizations should provide a match rate of at least 1:1.

Before you set out to calculate your program's match rate, you should research the cost of your program's permissible uses, estimate participants' savings capacity and decide on an accumulation period. Having established these variables, your match rate should ideally be set at a level that will provide sufficient funds for a typical participant to be able to reach asset ownership within the timeframe of your program.

For example, if you have established that: 1) the cost of a two-year degree at a local community college is about $1,800, 2) participants are capable of saving $25 a month, and 3) you would like participants to save for this asset goal for two years, you would need a match rate of 2:1 to make this asset goal feasible. The following formula can help:

$$\textbf{Match Rate} = \frac{\text{Projected Asset Cost - (Participant's Monthly Savings x Accumulation Months)}}{\text{(Participant's Monthly Savings x Accumulation Months)}}$$

$$\textbf{Match Rate} = \frac{\$1{,}800 - (\$25 \times 24)}{(\$25 \times 24)} = \frac{\$1{,}800 - \$600}{\$600} = \frac{\$1{,}200}{\$600} = 2 \text{ (a match rate of 2:1)}$$

Again, remember that it is acceptable to set different match rates for different asset goals. Consider the following points when deliberating over your match rate:

Lower match rates
Advantages/Disadvantages

+ Participants may feel a greater sense of accomplishment because their savings represent a larger portion of the cost of their asset goal.
+ Less fundraising is required to support a lower match rate.
- Lower match rates generally require longer accumulate periods.
- It is harder to recruit and retain participants with lower program match rates.

Higher match rates
Advantages/Disadvantages

+ Higher match rates generally permit shorter accumulation periods.
+ Higher match rates should allow participants to save at a lower rate.
- Participants may view higher match rates as a grant or form of charity rather than a reward for their saving efforts and fiscal self-discipline.
- Higher match rates may not demonstrate to participants the importance of saving.
- Higher match rates require more IDA program funding.

5th Step: Match Ceilings

Establish a ceiling on the matching funds a participant may receive.

Although your match structure should be designed to encourage participants to save as much as they are able, your program must cap the amount of matching funds that any one participant may qualify for, for two important reasons:

1. **To aid in budgeting.** Without a match ceiling it is impossible to plan precisely how much match funding your program might need. Although a ceiling will not tell you how much participants will *actually* save, it does effectively cap the amount of funding for which your program could theoretically be responsible. It is advisable to determine a "worst case" budget scenario that assumes each participant will save up to the match ceiling; this will serve as a useful as a reference point in the budgeting process and will demonstrate to potential funders that you have a grasp on the high end of program costs.
2. **To ensure an even distribution of resources.** It is not in your program's best interest to allow a grossly uneven distribution of match dollars. An uneven distribution may appear to penalize your poorest participants who are least able to save and it may give rise to criticism that your IDA program is simply a way to deliver charitable handouts to people who apparently already have money to save.

To calculate an *annual* match ceiling, first multiply the average monthly amount you expect participants to save times twelve. This figure, participants' target savings, will be the amount you *expect* participants to save. Your match ceiling should *represent the most participants' savings your program will match.* Generally you can arrive at this value by adjusting your target savings figure upward. However, a match ceiling too much in excess of participants' target savings may discourage savers who are not able to attain the maximum match and will make budgeting for your program more difficult.

To arrive at a *lifetime* match ceiling, multiply participants' target savings times the number of months in your accumulation period. The result of this calculation, a lifetime target savings, can then be adjusted upward to generate a lifetime match ceiling. For example, if you project participants' savings at $25 a month for 36 months ($900), you might establish a match ceiling somewhere between $900 and $1,440 (the outcome of saving on average $40 per month).

6th Step: Feasibility and Fundability

Review your structure for feasibility and fundability; revise as necessary.

Once you have researched the cost of your program's asset goals, determined your participants' saving capacity, settled on an accumulation period, picked a match rate and established a match ceiling, you have a provisional match structure (Congratulations!). Two tasks remain to finalize your structure: (1) you must check to ensure your match structure will genuinely allow participants to access an asset goal (*feasibility*), and (2) you should assess whether your organization will be able to raise sufficient funds to finance your match structure (*fundability*).

- **Feasibility.** To test your match structure's feasibility you need to determine if participants who save diligently at a rate they can afford will be able to acquire their asset goal at the end of the accumulation period. (See the sidebar on the next page titled "The Match Structure Equation").
- **Fundability.** In order to assess your structure's fundability, you must project the sum total of matching funds that your match structure effectively promises to participants. The amount of funding your structure will require is a function of several factors: match rate, number of participants in your program, average participant savings, match ceiling, and accumulation period. The following chart should help you calculate two important figures, your program's **Projected Total Match Funding**, the total amount of match funding you estimate you will actually need, and **Maximum Total Match Funding**, the highest amount of match funding your program could potentially require:

A Number of Participants Saving	B Participants' Projected Avg. Monthly	C Accumulation Period in Months (A*B*C)	D Projected Total Savings	E Match Rate	F Projected Total Match (D*E) Funding	G Match Ceiling	H Maximum Total Match Funding (A*E*G)
30 (saving for a home)	$35	48	$84,000	2:1	$168,000	$2,160 ($45/mon.)	$216,000
5 (saving for a business)	$30	36	$27,000	2:1	$54,000	$1,260 ($35/mon.)	$63,000
25 (saving for education)	$30	24	$18,000	1:1	$18,000	$840 ($35/mon.)	$21,000
					$240,000		$300,000

Once you have calculated the **Projected** and **Maximum Total Match Funding** figures you will be able to estimate what your provisional match structure would actually cost to fund. With these figures, you will be better positioned to assess whether your organization can raise enough money to fund the match structure you have envisioned. If your organization wishes to plan conservatively, you might use the **Maximum Total Match Funding** figure as the projected cost of your match structure; if you wish to be slightly more liberal, you might assume the price tag of your match structure to be closer to the **Projected Total Match Funding**. Remember that a portion of your participants will not complete your program and this attrition will reduce the amount of match funds your program ultimately distributes.

As you assess fundability, be aware that it may be easier for your organization to raise certain types of funds. For example, you may find several major funders willing to support the asset goal of homeownership, but have a harder time finding contributions to support microenterprise. Some funders may be willing to support a particular type of participant — adolescents, women or TANF recipients, for instance. If you anticipate that your funders will place narrow restrictions on their support, be careful to factor this into your fundability assessment. Finally, particularly if you are pursuing government support, research the terms and conditions of funding in advance. You may find grant conditions that you will want to consider when designing your match structure.

If you determine that your provisional match structure is either unfeasible or unfundable, repeat the five steps outlined in this chapter, modifying each element of your match structure as you progress through the steps. By massaging each component and using trial and error, you should be able arrive at a structure that will allow participants to obtain their asset goals without exceeding your organization's fundraising capacity.

Match Structure and MIS

Organizations should be aware of, and consider carefully, the way in which their Management Information System (MIS) will accept the match structure they establish. Match structures that do not mesh with a program's MIS can cause needless additional work and frustration. The following match structure suggestions are from the designers of MIS IDA, the only IDA-specific MIS. These match structure recommendations evolved from "best practice" research conducted by MIS IDA's developers. As such, they are not just MIS usage tips, they are also recommendations intended to help you achieve optimal IDA program design.

1. **Never decrease a participant's match rate.** Once participants' individual match rates have been set, it is best not to change them for the life of an IDA. However, if a change is to occur, match rates should only increase. Programs considering sliding or different match rates should keep this in mind and plan not to alter a participant's match rate once he or she has begun saving, even if that participant's income or permissible use changes.

2. **Establish a monthly and annual savings goal for each participant.** Creating an annual savings goal helps participants establish a savings target and build a savings pattern necessary to reach their target. An annual goal also assists your organization in budgeting projected matching fund requirements.

3. **Count interest toward annual savings goal.** Financial institutions generally handle interest earned on savings as deposits into customers' accounts. Social policy regards interest as a "reward" for saving. IDA programs should follow these precedents when accounting for interest by crediting interest earned to participants' IDA balances.

4. **Consider savings in excess of an annual match ceiling as a "rollover."** While IDA programs should encourage participants to save as much as they are able, programs must also limit the amount of participants' savings that can be matched in over a given time period (typically a program year). From a systems and program design standpoint, it is best to consider savings above an annual match ceiling as a "rollover" which can be matched in the next twelve month period. This practice will allow a program to maintain an annual and program-life match ceiling, while enabling participants to earn the maximum possible match—only if participants eventually save more than a *lifetime* match ceiling will any portion of their savings remain unmatched.

Match participants' savings at the time of withdrawal. Match monies should be dispersed only at the time a participant makes an approved asset purchase. Prior to disbursement, matching funds should be tracked and accounted for in an MIS as "obligated to a participant's account balance" but not deposited into his or her IDA.

The "Match Structure Equation"
Testing Your Match Structure's Feasibility with a Formula

Once your program has settled on a match structure, the following equation can help you test that structure to see if will really allow participants to reach their asset goals. It is best to use the formula separately for each of your program's permissible uses:

((MPS * AP) + PI) * MR ≥ AC - AR

MPS = Monthly Participant Savings – the average amount participants should save each month.

AP = Accumulation Period – the minimum number of months participants should need to save in order to be able to obtain their asset goals.

PI = Participant Interest – the total amount of interest participants should earn on their savings.

MR = Match Rate – the sum total rate at which your program will match participants' savings.

AC = Asset Cost – the cost of acquiring each of your program's asset goals.

AR = Asset Resources – the dollar value of other asset assistance programs available in your community to help participants obtain their asset goal.

For example, suppose your program wanted to design a match structure for homeownership. Your research indicates that a basic home in your community is likely to cost a participant $90,000 at the point he or she is ready to buy, several years in the future. From speaking with lenders, you've determined that a first time buyer with good credit and an appropriate income level would need a 5% downpayment and approximately $750 for closing costs. In addition, your program decides participants should have a "cushion" of $500 when buying a home, something for unexpected additional expenses. Your Asset Cost would therefore be $5,750: a downpayment of $4,500, $750 closing costs and a $500 cushion (AC = $5,750). By holding focus groups and crafting a model household budget, you've estimated that participants should be able to save, on average, $35 a month (MPS = $35). Checking with your financial institution partner (or using a spreadsheet future value function), you've calculated that participants who save an average of $35 a month for four years and receive 2.5% interest should earn a total of about $85 in interest (PI = $85). You have also settled on a four year, or 48 month, Accumulation Period (AP = 48). Your program match rate for homeownership is 3:1 (MR = 3). Finally, you've spoken to the local Homeownership Center and they will offer a one-time downpayment assistance grant of $500 to first time homebuyers who attend a series of preparatory workshops (AR = $500).

Applying your program's numbers to the "match structure equation" yields the following:

(($35 * 48) + $85) * 3	≥	$5,750 - $500
(($1,680) + $85) * 3	≥	$5,250
$1,765 * 3	≥	$5,250
$5,295	≥	$5,250

Because the left side of the equation is greater than the right side, and assuming your assumptions prove reasonably accurate, this asset goal should be within participants' reach.

Two

Additional Match Structure Considerations:

1. **Should your program have a sliding scale or different match rates?**
2. **Should your program require participants to save within a monthly savings range?**

1st Consideration: Sliding or Different Match Rates

Should your program have a sliding scale or different match rates?

Some IDA programs have concluded that the match requirements of participants vary. Participants who are saving for a home may need larger IDAs than those saving for education. Very low income participants, who have lower saving capacities, will generally need higher match rates in order to accumulate enough IDA funds to make asset ownership feasible. One way to account for these differences is to introduce *Sliding or Different Match Rates* into your program's match structure.

Although Sliding Match rates are attractive because they allow your program to target matching funds to participants who need them most, they are not without drawbacks:

Key Terms

Sliding Match Rates: Match rates that vary based on a participant's income level, and therefore his or her savings capacity. Higher match rates are offered to lower income participants and lower match rates to higher income participants. Sliding match rates may be linked to different match ceilings in an effort to ensure that participants who qualify for higher match rates do not receive an overwhelmingly disproportionate share of match funds.

Different Match Rates: Match rates that vary based on the permissible use a participant is saving to acquire. More costly permissible uses or those for which funding is more readily available would generally qualify for higher match rates.

Sliding Match Rates

Advantages / Disadvantages

+ Attempt to link matching funds to a participant's *ability* to save
+ Direct matching funds to participants with the greatest need
+ Allow your program to target and serve a more income-diverse population
- Complicate account management and record keeping tasks
- Make accurate budgeting and forecasting more difficult
- May create divisions, resentment or different "classes" among participants
- May make promoting your program and recruiting participants more difficult
- Make it difficult to determine the correct match rate for a participants whose incomes fluctuate, as is common among low-income people.
- May result in "flipping"— higher income participants receiving higher match rates and vice versa as a result of changes over time in participants' income.

Organizations may wish to offer different match rates if: 1) larger IDA balances are required for one permissible use as compared to others; 2) more funding is available for certain permissible uses; or 3) they wish to encourage participants to choose one asset goal over others. Different match rates have benefits and drawbacks, as summarized below.

Sliding Match Rates: An Example

HRDC/Capital Opportunities

When developing its business asset and family health accounts, HRDC/Capital Opportunities wanted all participants to receive a certain level of match per year, regardless of the participant's income level. While their target population was below the poverty line, HRDC anticipated enrolling participants from different income levels below the poverty line. Recognizing different abilities to save, HRDC provided higher match rates for participants at lower income levels, settling on this sliding scale:

Income as a % of Poverty	Matching Ratio	Match Ceiling	(Maximum Match)
50% or less	9:1	$111	$1,000
51%-81%	5:1	$200	$1,000
86% to 100%	2:1	$500	$1,000

Realizing that income levels change frequently among low-income families, HRDC based match rates on a family's income at the time of entry into the IDA program.

Different Match Rates

Advantages / Disadvantages

\+ Allow your program's match structure to take into consideration that different asset goals require different amounts of funding

\+ Make it possible for your program to use restricted funding sources even if equivalent funding is not available for other asset goals

\+ Link matches to the needs of participants and desires of your organization

\+ Allow your program to influence participants' choice of asset goals

\- Could cause complications if a participant changes asset goals while saving

\- May create divisions between participants who are saving for different assets

\- Will complicate account management and record keeping responsibilities

\- May make promoting your program and recruiting participants more difficult

2nd Consideration: Monthly Savings Ranges

Should your program require participants to save within a monthly dollar range?

Some IDA programs have adopted the attitude that participants may deposit savings into their IDA at any time and in any amount. Such programs believe that it is less important *how* a participant reaches his or her savings goal than that a participant does, in fact, reach his or her goal. Other programs have taken the opposite approach, believing that IDA programs have a responsibility to help participants prepare for asset ownership by learning fiscal self-discipline and financial planning skills. Programs that wish to emphasize the development of these skills may want to include a *monthly savings range* in their match structure.

A monthly savings range requires participants to make deposits each month the total value of which falls within a fairly narrow dollar range. The intention of this requirement is that participants learn to budget for regular savings and view financial skill development as one of their long-term objectives.

Monthly Savings Ranges
Advantages / Disadvantages

+ Encourages participants to learn budgeting skills in order to save every month
+ Allows IDA staff to more quickly identify, and therefore offer additional assistance to, participants who are having trouble saving
+ Discourages participants from borrowing money in order to obtain matching funds through shortterm, large, lump sum deposits
- Increased staff time required to monitor participants' monthly account activity and follow up with participants who miss deposits
- Creates additional rules and requirements for participants
- Participants don't have complete responsibility for their savings behavior

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Setting a Monthly Deposit Limit: An Example

St. Louis Reinvestment Corporation (SLRC)

SLRC wanted to avoid lump sum deposits that sometimes occur in high match, short accumulation period programs because they feel such savings behavior defeats the purpose of a program designed to teach responsible fiscal behavior. SLRC decided to include in their match structure a $25 ceiling on monthly participant deposits. (The ceiling, however, does not place any limit on the amount of unmatched monthly contributions.) SLRC designers believe this monthly ceiling will ensure participants establish a pattern of saving and do not borrow large sums of money from friends or neighbors to deposit into their IDAs instead of saving a portion of their earnings.

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Match Structures Compared

Organization	Match Rate(s)	Match Ceiling	Monthly Savings Range
Alternatives Federal Credit Union (NY)	3:1	$500 / year ($2,000 / lifetime)	$20 - $100 (adults) $10 - $100 (youth)
Capital Area Asset Building Corp. (DC)	2:1 – 4:1 (homeownership) 2:1 – 7:1 (education)	$240 - $2,830/ lifetime	no formal requirement, only suggested ranges
Central Texas Mutual Housing Association	2:1	$500 / year	$250 / year minimum
Central Vermont Community Action	1:1 2:1 (TANF recipients)	$500 / year ($2,000 / lifetime)	$25 - $41.67
Community Action Project of Tulsa County (OK)	2:1 (homeownership) 1:1 (other asset goals)	$750 / year	$750 / year maximum

continued next page

Match Structures Compared *continued*

Organization	Match Rate(s)	Match Ceiling	Monthly Savings Range
Heart of America Family Services (KS)	2:1	$405 / year	$10 - $30
Human Solutions (OR)	1:1	$500 / year	$20 minimum ($2,000 / lifetime)
Women's Self Employment Project (IL)	2:1	$240 / year one $360 / year two ($600 / lifetime)	$20 - $30 $10 - $30 (for employees of microenterprises)

Section 3.3: IDA Account Structure

The account structure your organization develops for its IDA program will influence both how participants will save and spend their money and how your organization will handle its record keeping responsibilities. Careful consideration should be given to the three account structure issues in this chapter when designing your IDA program account structure.

Three IDA account structure considerations:

1. **Should participant savings be co-mingled with program matching funds?**
2. **Should participants have sole ownership of their IDAs or should your organization jointly own participants' IDA accounts?**
3. **What level of access should participants have to their savings before reaching their savings goals?**

1st Consideration: Co-mingling of Funds

Should participant savings be co-mingled with matching funds?

IDA accounts involve two categories of funds, monies deposited by participants, *participant savings,* and dollars provided by program funders, *matching funds*. Two approaches have been tried with regard to how to account for and where to deposit each type of funds:

Separate funds. The overwhelming majority of IDA programs elect to separate participant savings from matching funds. Participants' accounts therefore contain just their savings deposits and interest earned on their savings. Matching funds are typically concentrated in one or a small number of accounts and are deposited in accordance with the sponsoring organization's policies and priorities.

Co-mingled funds. With a co-mingled approach, sponsoring organizations deposit matching funds into each participant's account as they are earned, typically monthly. Each participant's account therefore contains not just his or her savings, but his or her savings and matching funds earned to date. Co-mingled accounts require "joint ownership" (described below) in order to prevent participants' premature access to matching funds.

Although early IDA programs tried both *separate* and *co-mingled* structures, **a clear consensus has emerged *against co-mingling*** among practitioners and program evaluators. Consider the following points:

Advantages of Separate Funds

+ Separating funds postpones the tax consequences of matching funds for participants.
+ Programs can easily provide participants with monthly account statements showing both savings and match funds by combining a separate accounts structure with use of the MIS IDA computer system (see the MIS section of this chapter).

+ IDA practitioners have found that a separate funds structure managed by MIS IDA significantly reduces time spent on monthly record keeping and fund management.

+ For programs that wish participants to have the discretion to take withdrawals, there is no possibility of accidental or premature withdrawals of matching funds.

+ Organizations may track and invest matching funds in one consolidated account; possibly providing greater leverage with financial institutions and higher investment returns.

+ Organizations do not need to allocate and transfer matching funds into each participant's account on a monthly basis.

Disadvantages to Co-mingled Funds

- Co-mingling prevents use of MIS IDA because the system calculates earned matching funds based on participant account balances; the presence of matching funds in participant accounts would render invalid the underlying premise of the system.

- Having matching funds in participants' accounts increases the likelihood that a participant will reach TANF asset accumulation limits (see the Legal Issues section of this chapter).

- Participants may be required to pay taxes on matching funds as they are credited to their accounts (albeit, taxes may be a non-issue for very low-income participants).

- Co-mingling requires use of the "joint ownership" account structure (described below) in order to prevent a participant from prematurely accessing matching funds.

2nd Consideration: Account Ownership

Should accounts be owned solely by participants or jointly with sponsoring organizations?

Participants' IDA savings accounts may be set up in one of two ways: they may be under the exclusive control of the participant ("sole ownership" accounts) or they may be owned by both the participant and the sponsoring organization ("joint ownership" accounts). In a joint ownership account, neither party (the participant nor the sponsoring organization) may make a withdrawal or close an account without the consent of the other party. In a sole ownership account, all account activity, including withdrawals, may occur at the exclusive discretion of the participant. For both types of account structure, however, the sponsoring organization will need to be authorized to monitor monthly account activity in order to produce regular account statements.

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Examples of Account Ownership Structure from the American Dream Demonstration

Bay Area IDA Collaborative (Oakland, CA) – elected **sole** account ownership because they believed trust would be a concern among their target population and because they wanted their IDA program to stress individual responsibility and freedom of choice.

Central Texas Mutual Housing Association (Austin, TX) – decided their participants should have total discretion over their savings and so they elected sole account ownership.

Central Vermont Community Action Council (Barre, VT) – chose **joint** account ownership and has found participants really appreciate that their IDA savings aren't so easily accessible.

Community Action Project of Tulsa County (Tulsa, OK) – chose **sole** account ownership, believing their participants would only feel comfortable with total control of their savings.

Heart of America Family Services (Kansas City, MO) – opted for **sole** account ownership.

Human Solutions (Portland, OR) – chose sole ownership but is considering moving to **joint** ownership in order to protect participants from the pressures of family members or friends who want access to participant's savings.

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Sole Ownership Accounts

Advantages / Disadvantages

\+ Participants have free access to their accounts and therefore are given a greater opportunity to build fiscal self-discipline in preparation for asset ownership.

\+ Sponsoring organizations should have no legal responsibility for any fraudulent activity that might occur in participants' accounts

\+ Participants may save more in accounts that they control completely, as they might not feel any reason to "hold back" or set aside some of their savings for other uses.

\+ Prospective participants are more likely to feel comfortable with IDAs and enroll in a program if it is clear that they will have total control of their savings.

\+ Participants who plan to continue saving after their IDA program participation is over will already be accustomed to "policing" their own savings activity.

\- Participants have free access to their money and therefore are more likely to take withdrawals for emergencies; sole ownership provides no "impulse control."

\- Participants are less likely to see their IDA accounts as special savings vehicles, different from other bank accounts they have currently or may have used previously.

\- Sponsoring organizations may find it more complicated to get monthly account information from financial institutions for IDAs for which they are not joint owners.

Joint Ownership Accounts

Advantages / Disadvantages

\+ Because all withdrawals must involve the sponsoring organization, as a joint account owner, program staff have an opportunity to brainstorm with or assist participants before they make a withdrawal in response to an emergency.

\+ Similarly, participants are more likely to seek out other solutions to a crisis in the time it takes them to obtain both parties consent for a withdrawal.

\+ Joint ownership distinguishes IDAs from other savings accounts and emphasizes the unique nature and asset-oriented purpose of an IDA account.

\+ Obtaining account activity information from financial institutions is simplified because sponsoring organizations are co-owners of each account.

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Examples of Account Ownership Structure from the American Dream Demonstration

(continued)

Shorebank Corporation (Chicago, IL) – settled on **joint** account ownership after focus group participants expressed an overwhelming desire for limited access to savings.

Women's Self-Employment Project (Chicago, IL) – chose **joint** ownership in order to discourage withdrawals and ensure participants facing financial crises receive counseling.

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Key Terms

Qualified IDA Withdrawal: IDA withdrawals of participant savings and matching funds to be used toward a participant's chosen asset goal. Qualified withdrawals must be authorized and approved by program staff in advance.

Non-Qualified IDA Withdrawal (or Emergency Withdrawal): IDA withdrawals comprised only of participant savings and not intended to be used for a participant's asset goal. Non-qualified withdrawals may occur with or without IDA program permission, but programs should strongly encourage participants to consult program staff before taking a withdrawal.

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- Sponsoring organizations may be held liable for fraud or other illegal activity associated with any individual participant's account.
- Participants have less opportunity to test their fiscal self-control and view themselves as self-sufficient, responsible individuals.
- Potential participants, funders or program partners may perceive programs as "paternalistic."

3rd Consideration: Access to Funds

What access should participants have to their savings?

Since IDA participants save money over an extended period of time, situations will inevitably arise where participants wish to access their savings before they are ready to become asset owners. Given the challenges of living on a low income, IDA participants are especially likely to have compelling reasons why they need access to the funds in their IDA. At the same time, for many participants, having a considerable sum of money set aside may be a new experience that presents a tempting or convenient solution to financial crises. IDA programs should therefore examine the implications of any savings access policy they consider.

On the one hand, programs that allow participants unrestricted access to their savings may find that participants fail to attain their asset goals or to develop new fiscal skills and habits. On the other hand, programs that make access to savings impossible run the risk that participants will feel unsupported and, in some cases, may close their IDA simply to gain access to their savings. An appropriate emergency access policy should seek to strike a balance between these extremes. Under no circumstances, however, should participants have access to matching funds through an emergency "non-qualified" withdrawal. Existing IDA programs have developed a variety of different policies to deal with non-qualified withdrawals, as summarized in the following list.

Options for Emergency Access Policies

- **Waiting Period.** Withdrawals available only after a participant has waited a certain predetermined period of time. This is an effort to mandate a "cooling off" period during which staff can help a participant find other solutions to his or her emergency need.
- **Specific Uses.** Withdrawals available only for predetermined reasons (i.e., medical expenses, threat to housing such as an eviction notice). This approach recognizes that not all emergencies are equally urgent and it may be appropriate to use IDA savings in case of certain serious crises. Bear in mind

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Crises as Opportunities?

In addition to financial resources, asset ownership requires participants to have solid financial skills. Not only will asset ownership introduce new financial responsibilities into participants' lives, but for most IDA holders, these new responsibilities will need to be met on very low incomes, in budgets with little margin for error. When a participant faces a fiscal crisis, often times an underlying financial or personal issue is playing a role in the crisis or is preventing that individual from managing the situation in the best possible way. IDA programs should view participant requests to access their savings as an opportunity to help account holders develop their fiscal and problem solving skills in preparation for asset ownership. Program staff might work with a participant in crisis:

- to understand how an emergency situation developed
- to identify resources other than a participant's IDA that might resolve a crisis
- to explore strategies to prevent a crisis from recurring

Not only can programs prevent participants from depleting their savings this way, but they can also help participants grow in ways which will prepare them for the future crises that will inevitably accompany homeownership, business start up or post secondary education.

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Examples of Emergency Withdrawal Policies and Procedures

from the American Dream Demonstration

Bay Area IDA Collaborative (Oakland, CA) – withdrawals are at participants' discretion; program monitors monthly financial institution reports, places follow up calls to participants who've taken withdrawals to see if they are in trouble.

Central Texas Mutual Housing Association (Austin, TX) – withdrawals are at participants' discretion; participants who make excessive withdrawals may be asked to leave the program.

Central Vermont Community Action Council (Barre, VT) – withdrawals limited to 10% of a participant's savings, subject to a week waiting period and program staff approval.

Community Action Project of Tulsa County (Tulsa, OK) – withdrawals are discouraged but may occur once a year for any purpose, up to 10% of participants' savings balance.

Heart of America Family Services (Kansas City, MO) – one withdrawal a year is allowed, up to 10% of a participant's savings balance; it must be approved by the program manager.

Human Solutions (Portland, OR) – withdrawals are at participants' discretion but are discouraged; the number and frequency of withdrawals is monitored and participants who make numerous withdrawals receive "check in" phone calls from program staff.

Shorebank Corporation (Chicago, IL) – withdrawals are only permitted after a participant discusses his or her situation with the program manager.

Women's Self-Employment Project (Chicago, IL) – withdrawals are not permitted; program staff will work with participants to solve financial crisis, but participants must withdraw from the program and close their accounts in order to access their savings.

that participants are likely to view their particular crisis as urgent regardless of what a program policy dictates. It may also be difficult for an agency to determine or verify that a participant's situation falls within their definition of an emergency.

- **Percent of Savings**. Withdrawals available only in an amount equal to a certain percentage of a participant's account balance. This philosophy allows participants to access funds but also ensures that they can not withdraw so much from their accounts that their long-term savings goal will be seriously jeopardized.
- **Participant Tenure.** Withdrawals available only to participants who have saved successfully for a certain period of time. The intent of this approach is to ensure that participants make it through the difficult first few months of learning to save before they are eligible for a withdrawal. By restricting access to funds early on, problems or financial habits that might prevent a participant from being successful over the long term are more likely to surface and be addressed by program staff at the outset of participation.

- **Mandated Counseling**. Withdrawals available only to participants who agree to discuss their crisis situation with an IDA program and/or partner representative. Requiring participants to meet with a program representative should provide a structured opportunity to determine if alternative resources or solutions are available to meet a participant's emergency need. In addition, it is a chance to determine if participants are applying any of the lessons from economic literacy training, such as the use of a spending plan or budget.

Access to Funds: Other Considerations

- **Policies Should Meet Program Goals.** Sponsoring organizations should design an access policy with their program's goals in mind; that is, *what productive impact would we hope crises might have on our participants' lives?* If a program aims to make crises into a reflective learning experience for participants, a more restrictive, interactive approach may be called for. A program that wishes to teach participants self-reliance and personal responsibility might create a less restrictive policy while emphasizing to participants that withdrawals threaten long-term asset dreams.

- **Policies Should Complement Account Structure**. Some account structures lend themselves to certain types of emergency access policies. Sole ownership accounts, for example, leave withdrawals at the discretion of the individual account holder and are therefore a good choice for programs that believe participants should act responsibly and police their own withdrawals. Joint ownership accounts are a natural fit for programs that wish to restrict participants' access to savings and anticipate having the resources to counsel or brainstorm with participants who find themselves in a crisis situation.

- **Special Issues for Sole Ownership Accounts.** For programs with sole ownership accounts special consideration should be given to the monitoring and enforcement of access policies. Because participants with sole ownership accounts are able to walk in to their financial institution and withdrawal funds without the consent of program staff, it is essential to clearly explain to participants both a program's access policy and the consequences for disregarding that policy. Programs should seriously consider requiring that participants consult with program staff *before* taking a withdrawal. It is also important that programs devise a mechanism to monitor participant accounts on a regular basis to determine when unauthorized withdrawals occur.

- **Policies May Combine Approaches.** Programs may mix and match different criteria for emergency withdrawals to craft an appropriate and effective policy. Working from the list in this chapter, for example, a program might form a policy that permits withdrawals only for certain emergency uses and after a waiting period.

Section 3.4: Staffing

Decisions about the size and structure of your IDA program staff should be based on a careful examination of your program's needs, as the number of staff positions necessary to support an IDA program can vary greatly. The configuration and resources of your organization, the amount of participant training and counseling your program offers, the complexity of the program structure you choose and the number of accounts your program hosts are all factors that impact how many people are necessary to make your program successful.

IDA Program Staffing Considerations

1. **What IDA program responsibilities and duties will require staff time?**
2. **How might your program distribute responsibilities among staff positions?**
3. **How can your program recruit high quality staff members?**

1st Consideration: Staff Responsibilities

What IDA program responsibilities and duties will place demands on staff time?

Before hiring staff for your IDA program, it is essential to consider the responsibilities envisioned for each position. This process will help you estimate how much time will be required to run your program and will allow you to hire candidates suited to the tasks. Bear in mind that most components of your IDA program will not require consistent attention throughout the life of the program. Some tasks will demand tremendous amounts of time during program start-up while others will consume more time as enrollment increases. The following list of program responsibilities should help you estimate how much staff time will be necessary to run your IDA program:

Tasks Requiring Staff Time During Program Start-up

- **Program design.** During a program's start-up phase, IDA staff must research, discuss and ultimately make decisions about numerous program design issues, including but not limited to: the objectives, scope, target population, and mechanics of the program. Time must also be set aside for staff to conduct participant focus groups.
- **Partner relations.** Staff must recruit program partners, including one or more financial institutions, and negotiate partnership agreements in the planning stage of an IDA program. Throughout the life of a program time must also be set aside to nurture and maintain program partnerships.
- **Fundraising.** Because it is difficult to fully implement a program until funding is reasonably assured, fundraising will consume a significant amount of staff time while a program is in development. How much time is required for soliciting funds, and over what time period, will vary based on the number and nature of a program's funders.

Tasks Requiring Time Throughout the Life of a Program

- **Recruiting and interviewing participants.** Marketing an IDA program in order to recruit participants requires a tremendous investment of staff time. Designing and distributing advertising materials, networking with other organizations, performing outreach activities, offering orientation sessions and interviewing participants will all demand staff resources.

- **Personal finance and financial skill building training.** An economic literacy program is a central component of any IDA program and therefore considerable time will be needed to develop a curriculum or to purchase and modify an existing curriculum. Staff time will also be necessary to present economic literacy training to participants.

- **Program financial record keeping.** Time must be allocated to track program income and expenses and project the amount of matching funds participants will require. A routine of basic accounting procedures should be undertaken at least once a month.

- **Communication with participants.** Successful IDA programs allocate time to stay in regular communication with all participants, whether through mass mailings (such as newsletters) or more personalized means (such as phone calls). Following up with participants who miss monthly deposits or make unauthorized withdrawals can also require significant time.

- **Policy development and public relations work.** Most IDA programs find that staff time must be budgeted — for publicizing the program and advocating for IDA friendly public policy. Keeping IDAs in the public eye also helps fundraising efforts and participant recruitment.

Tasks Requiring More Time as a Program Matures

- **Participant account record keeping and MIS maintenance.** Significant staff time should be anticipated for participant record keeping, including collecting participant account information monthly from financial institution partners, entering data in a program's MIS computer system and keeping participant files up to date. These processes will steadily consume more time as a program's participant enrollment increases.

- **Individual participant counseling.** IDA staff need to budget time to be available to meet with participants who face financial crises or need individual attention.

- **Participants peer group development.** In order for peer groups to function effectively as participant support mechanisms, IDA staff should plan time to oversee their formation and check on their progress. Without staff supervision, participant peer groups are not likely to remain active or focused.

- **Processing withdrawals**. As participants reach savings goals, qualified withdrawals will increase. IDA staff will need time to review participants' withdrawal requests, verify their readiness for asset ownership, and orchestrate transfers of funds.

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Tips for Lightening the Load of IDA Staff

Utilize your program partners. Can a partner organization offer someone to help with presenting financial skills building workshops? Would a program partner agree to take on a specific responsibility, such as recruiting and referring a certain number of candidates for participation? Partners can also contribute articles to your newsletter, assist in public relations activities, and respond to requests for IDA guest speakers, and they may also be a good resource for asset-specific counseling.

Look inside your organization. Who within your organization, aside from IDA staff, could participate in presenting IDA economic literacy workshops? Perhaps your agency offers programs that could refer IDA program candidates to your staff. Do you have resources to support mailings or routine photocopying? If your organization has fundraising or finance people on staff, explore ways these people could assist with proposal writing or accounting and record keeping. *continued next page*

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2nd Consideration: Staff Positions

How might your program distribute responsibilities among staff positions?

As you prepare to hire staff it will be important to know who will be expected to handle different aspects of your program. Duties can be combined into one position or spread throughout your organization's existing personnel. As a starting point, consider the following IDA program roles:

Senior Management. Especially during the start up phase of a program, the leadership, experience and community connections of an organization's Executive Director or senior manager is critical. The person in this role will typically lead efforts to raise funds, establish program and financial institution partnerships, advocate IDA-friendly public policy and generate publicity for a program. An organization's director should be able to fulfill these responsibilities by devoting a minimum of five or ten percent of his or her time to IDA related work.

Program Management. The person filling this function will carry managerial responsibility for an IDA program and should focus on the overall needs of a program. He or she would take primary responsibility for program design, budgeting, staff supervision, policy-related judgement calls, and would work with the Executive Director on fundraising, policy advocacy and publicity issues. Appropriate candidates should possess supervisory experience, organizational skills, financial skills and an ability to comprehend the "big picture" needs of a program.

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Tips for Lightening the Load of IDA Staff

(continued)

Make careful program design choices. Program design choices should be dictated by best practices. However, if your program will be short staffed, it may be necessary to design an IDA program that will work with your available resources. For example, by offering fewer financial skills building sessions to larger groups you can reduce the amount of time devoted to presenting workshops. Using form letters rather than phone calls to follow up with participants who miss monthly deposits, for instance, can also ease the burden on your staff. Although program design compromises should be a last resort, it is worth remembering that you can design an IDA program to be less labor intensive when absolutely necessary.

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Program Coordinating. The person serving in this capacity should focus foremost on program participants. He or she should drive participant recruitment efforts, plan and present personal finance and financial skills building workshops, coordinate asset-specific training and be available to counsel participants individually. Appropriate candidates should be personable, comfortable working with groups and would have experience with families and individuals working to make changes in their lives.

Program Administration. The person filling this program position would assume responsibility for keeping a program organized. He or she would handle participant record keeping, production and distribution of monthly participant account statements, MIS computer system maintenance and basic program financial accounting. Qualified candidates would be organized, comfortable with numbers and experienced using computers.

3rd Consideration: Recruiting Staff

How can your program recruit high caliber staff?

As you recruit for staff positions keep in mind the skills and experience that will help a candidate be successful. If the position places tremendous emphasis on its economic literacy component, for example, you should staff your program with people who have experience in training and group facilitation. The following recruiting suggestions may help you identify qualified candidates:

- **Advertise in general publications.** This most obvious method may be the easiest place to start. Advertising in local newspapers is a straightforward way to spread the word that you are hiring.
- **Advertise in specialized publications.** Advertisements in newspapers and newsletters that cater to non-profit organizations or agencies interested in IDA-related issues (economic development, homeownership, microenterprise) will reach a more targeted and perhaps experienced audience. Some non-profit publications may offer low- or no-cost job postings. If your own organization publishes a newsletter, be sure to include your job postings.
- **Contact universities**. Colleges, universities and extension programs that have social work, economic development or family resource management departments are good places to find candidates interested in IDA work. In addition, schools may connect you with students who are interested in serving as program interns.
- **Use the Internet**. The Internet has numerous job posting sites, including many that focus specifically on non-profit listings. Post job announcements on your organization's web site and/or on the *IDA Network* website (www.idanetwork.org). Use search engines to locate agencies in your area that have an interest in promoting IDA-related work.
- **Networking**. Word of mouth is a powerful recruiting tool. Send announcements to other community organizations and call colleagues who may know people in the job market.

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Minimum Staff Requirements

What it takes to run an IDA program

Although IDA program staffing requirements vary based on the scope and structure of a program, a general consensus has emerged from early IDA practitioners that at a minimum one staff "full time equivalent" (FTE) is required in order for an IDA program to succeed. Organizations that are interested in starting a program but are not ready to devote at least one FTE to their IDA efforts may be underestimating the complexity of asset development work. Successful programs require staff resources both for participant-related functions (like recruiting, financial skills building and counseling) and for "behind the scenes" work (fundraising, policy advocacy and record keeping). While these tasks need not necessarily be performed by the same one individual, it is unrealistic to expect that they will equate to less than one FTE worth of required staff time. Even programs hoping to enroll small numbers of participants will find that the work of establishing a program consumes tremendous staff time. Programs aiming to serve larger numbers of participants, or those that hope to offer participants particularly intensive asset ownership preparation, may require significantly more than one FTE of staff time. CFED recommends a minimum staff of 1.5 FTE for programs offering 50 or more accounts.

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Alternate Staffing Ideas

Many IDA programs face a shortage of funds for staff salaries. Some nontraditional staffing ideas can help your program meet its human resource needs on a tight budget:

Apply for a VISTA (Volunteers In Service To America). VISTA is a federal program that places volunteers in community service organizations for a year or more. VISTAs receive basic living stipends and are eligible for education awards upon completion of their service term. The VISTA's stipend, less than $10,000 per year, is sometimes born by the organization where the volunteer is placed and sometimes paid by the Corporation for National Service, the federal agency that administers the program. IDA programs interested in hosting a VISTA volunteer should contact the Corporation for National Service.

In addition to applying to CNS for a VISTA, you can also apply to CFED for a VISTA specifically trained for IDA work. CFED is currently hosting a national IDA VISTA Demonstration in an effort to provide IDA programs around the country with first rate VISTA members trained in IDA best practices. IDA VISTAs are required to attend two training sessions (initial and mid-year), and they also participate in an annual IDA conference hosted by CFED. For more information on how to apply for an IDA VISTA, call CFED at 202-408-9788.

Research Other Volunteer Programs. Other full-time volunteer programs are sponsored by churches and religious organizations. The Jesuit Volunteer Corps (JVC), for example, places volunteers in yearlong community service assignments. Although the JVC program is affiliated with the Catholic Church, placements needn't be religiously affiliated. Agencies that receive a JVC volunteer must contribute to the volunteer's living expenses; however, as with the VISTA program, volunteers' living stipends are far below traditional staff wages.

Find an Intern. Universities and colleges can help your program find students who are interested in a free or low-wage internship. As students, interns are often eager to learn and are accustomed to assimilating new information quickly. Although internships do not generally last for long periods of time, successful interns can be offered staff positions as their talents and your program's needs and budget dictate.

Section 3.5: Financial Institution Partnerships

Of all the partnerships your IDA program must forge, none is more central to your program's success than its cooperation with a financial institution or institutions. Not only will your program need the services of a bank, thrift or credit union to manage participants' funds, but you will also want participants to develop a relationship with a financial institution in preparation for asset ownership. As partners, banks and thrifts are also excellent sources of operating and matching funds. Financial institutions make logical funders because they have a vested interest in your program's success. Fortunately, IDA programs have as much to offer financial institutions, most notably new customers and business opportunities, as financial institutions have to offer IDA programs.

Four Financial Institution Partnership Considerations

1. **What types of financial institution(s) should your program aim to partner with?**
2. **Should your program aim to have one or multiple financial institution partners?**
3. **What attributes might a good financial institution partner possess?**
4. **How can your program recruit strong financial institution partners?**

1st Consideration: Financial Institution Type

What types of financial institution(s) should your program aim to partner with?

As you begin to explore potential partnerships, you'll want to consider what type of financial institution would make an ideal program partner. To date, IDA programs have established successful relationships with both credit unions and commercial banks and thrifts.

Credit Unions are member owned financial cooperatives established to serve a particular population (the employees of a certain organization, for example) or to fulfill a specific mission (to provide financial services to a low-income community, for example). Credit Unions should be federally insured and may offer many of the same products as commercial banks. Of particular interest to IDA programs is the national network of over *150 Community Development Credit Unions*, institutions whose stated mission is to serve low-income communities. For more information, contact the National Federation of Community Development Credit Unions (212/809-1850).

Commercial Banks or Thrifts are for-profit financial institutions in the business of making loans and providing consumer financial services. Banks and thrifts may be privately or publicly owned, and range in size from single-location community businesses to regional or national chains.

Each type of institution has its special features and drawbacks, as outlined below. When considering potential partners, also keep in mind that first-hand experience with a financial institution is likely to be the best indicator of compatibility.

Credit Unions

Advantages / Disadvantages

- \+ Non-profit orientation means credit unions (particularly Community Development Credit Unions) may be more interested in supporting IDA work.
- \+ Being member-owned, credit unions may be more accustomed to and comfortable working closely with clients who need extra assistance (as IDA participants may).
- \+ Credit Unions may be able to offer IDA holders higher interest rates, as they have no need to make a profit.
- \+ Community Development Credit Unions (CDCUs) have a history of promoting saving among low-income individuals and investing in the communities they serve.
- \+ IDA savings and matches held at CDCUs will become part of the asset base a CDCU has to loan and invest in the low-income communities your IDA program is serving.
- \- The typical challenges of a non-profit (insufficient staff and resources) may affect the quality of reporting and customer service.
- \- Some services or products (checking accounts, for example), to which you may want IDA participants to be exposed, may not be offered.
- \- Credit unions may not be able to support your program with matching funds or operating money.

Commercial Banks and Thrifts

Advantages / Disadvantages

- \+ As for-profit institutions, banks and thrifts may be more able to fund your program with match and operating money.
- \+ Because they typically have significant resources, banks may offer your program professional service and high quality reporting.
- \+ Using a bank as a partner allows your program to help participants overcome any discomfort they might feel about the "traditional, mainstream" financial world.
- \- Banks' for-profit orientation may make them harder to recruit as partners; banks often need to have a clear sense of how an IDA partnership will benefit them.
- \- Banks may have less experience working with low-income populations and may not be able or willing to offer special individualized service to IDA participants, if necessary.
- \- Participants are less likely to be served by tellers who are informed about IDAs and attuned to IDA participants' special needs or interests.
- \- Although participants may perceive banks as being reputable, they may also see them as intimidating, impersonal or only for wealthier people.

2nd Consideration: Number of Partners

Should your program aim to have one or multiple financial institution partners?

Successful IDA programs have been built with both one financial institution partnership and by establishing multiple partners. However, it is important to know which approach your program will pursue *before* recruiting financial institutions. Consider the advantages and disadvantages to single and multiple partners:

Single Partnership

Advantages / Disadvantages

+ Less time and labor is required for a program to establish and maintain one strong partnership.
+ A single partner may be assured it will hold enough IDA accounts to make a partnership worthwhile.
+ Resource-intensive tasks, like developing electronic transfer of monthly participant account activity data, may be more easily justified for a single and exclusive financial institution partner.
- Participants have no choice of financial institution and may feel forced into using an institution they are not comfortable with.
- With only one partner an IDA program may appear to have endorsed a particular financial institution and may therefore feel responsible for the actions or lending choices of that institution.
- If your partner loses interest in the program, it may take an extraordinary amount of time and service disruption while searching for and establishing a relationship with a new partner.

Multiple Partnerships

Advantages / Disadvantages

+ More than one bank or thrift partner may generate more program funding and visibility. (Note, however, that a financial institution needn't hold participant accounts or be a partner in order to contribute money to your IDA program.)
+ Participants may compare financial institutions, a process that fosters good consumer habits and prevents participants from feeling forced to use any one institution.
- More time and energy must be devoted to recruiting and maintaining multiple partnerships.
- Sponsoring organizations may feel awkward or embarrassed if a reasonable number of participants do not choose to open accounts with each partner.
- Partners may require unique processing activities, making program administration more difficult.

3rd Consideration: Identifying Prospective Partners

What attributes might a good financial institution partner possess?

Because financial institution partners are such an important part of an IDA program, it is vital to think about what would make an ideal partner before you approach banks, thrifts or credit unions. Your "wish list" should consist of features that would make a prospective partner a good resource for your participants and that would ease the burden of administering your program.

"Wish Lists" for Financial Institution Partners

Participant Needs

1. **Highest interest rate.** The higher rate of interest a financial institution pays account holders the less time it will take them to reach their savings goals. Also, interest should begin accruing from the first dollar a participant deposits.

2. **Regular statements.** The more regular the better; a monthly statement issued from a financial institution can motivate participants and reminder them to make deposits.

3. **No minimum balance requirements**. IDA participants typically have no accumulated sum with which to open an account; waived minimum balance requirements will also ensure that participants aren't charged fees or penalties.

4. **No monthly fees**. Monthly charges erode participants' savings. Financial institutions that aren't willing to waive this relatively insignificant revenue source may not make committed IDA partners.

5. **Accessible locations.** Participants must be able to easily access their accounts in order to make deposits. Since transportation is often a challenge for low-income families, locations accessible by foot or public transportation are best.

6. **Mail in, ATM and direct deposits.** To encourage saving, it is ideal if some or all of these alternative means for making deposits are available to participants.

7. **Other services** (checking accounts, loans and mortgages, investment services). Since IDA programs educate participants about all financial services, it is ideal if participants have access to these services at the institution holding their IDA.

8. **Comfort level.** Because IDA participants may be using a financial institution for the first time, it is critical that prospective partners be sensitive to participants' needs and be willing to train staff to treat IDA customers with respect and patience.

Program Needs

1. **Reputable institution**. As financial institution partners reflect on your IDA program (to prospective funders, participants and other program partners), they *must* maintain a reputation for integrity and professionalism in your community.

2. **Regular and detailed reporting.** In order to monitor participants' account activity and prepare monthly IDA statements, your organization must have convenient and regular access to detailed participant account information.

3. **Willingness to fund your program**. Banks or thrifts that are willing to fund your program will be more invested in its success and will make stronger partners.

4. **Contact person.** Financial institution partnerships work best an institution is willing to designate one individual as a dedicated contact person.

5. **EDT potential.** As programs grow in size, a financial institution's ability to transmit monthly account information via Electronic Data Transfer is important.

6. **Staff training**. Financial institutions that are willing to educate their staff about IDAs will provide better service to IDA participants.

7. **Organization-wide commitment**. For multi-site financial institutions, IDA involvement should include all appropriate locations, branches and the central office.

8. **Deposit insurance**. To protect participants and your organization, IDA savings and matching funds must be insured.

9. **Designated locations**. For larger financial institutions, the ability to designate certain locations for IDA involvement will result in better service for participants.

10. **Willingness to invest resources**. Although financial institutions needn't expend tremendous resources to be partners, a willingness to incur some expense or utilize in-house resources in establishing and administering IDAs is helpful.

11. **Openness to participating in personal finance training**. Financial institutions can be great resources for financial skills building and asset specific training.

12. **Ability to handle matching funds**. IDA programs need a place to deposit and invest matching funds for the life of the program; partners are a logical choice.

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Who Does What?

Roles of IDA programs and financial institutions

What a financial institution can do:

- Set up interest-bearing, sole or joint ownership savings accounts for IDA participants (with no monthly fees and no minimum balance)
- Establish a master account to hold matching funds in the name of the sponsoring organization
- Provide monthly account statements to participants
- Provide monthly account activity information to the sponsoring organization
- Offer other banking services to participants (checking accounts, mortgages, loans, other savings or investment accounts)
- Assist in financial literacy training
- Enhance visibility of program

continued next page

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4th Consideration: Recruiting Partners

How can your program recruit strong financial institution partners?

It is important to appreciate that IDA program partnerships are beneficial to both programs and financial institutions. In other words, IDA programs are not just asking for help, they are presenting financial institutions with opportunities. Begin the process of looking for financial institution partners by reflecting on how a bank, thrift or credit union might benefit from a relationship with your program. If you are able to see your IDA program through the eyes of a prospective partner, you will enjoy greater success in recruiting financial institutions as partners. The following guide should help you:

Reasons Financial Institutions Would Want to be an IDA Partner

1. **Publicity & public relations**. Banks and credit unions are in business with the public; a good reputation and strong name recognition are important assets and participating in a well-publicized IDA program can generate both.

2. **Deposit of matching funds.** IDA matching funds are attractive deposits for financial institutions because they are generally large sums of money that involve little account activity (until program participants make qualified withdrawals) and are deposited for long periods of time.

3. **Develop new customers.** IDA participants are a new source of customers for financial institutions. Although IDA accounts themselves may not generate profits for a financial institution, successful IDA participants are likely to conduct more profitable business at the financial institution with which they've already established a relationship through their IDA involvement.

4. **Community commitment.** Many financial institutions have a stated mission to serve and be responsive to the needs of their communities; IDAs are an ideal way for financial institutions to serve their communities while operating within their own industry.

5. **Generate other business.** Participating in an IDA program can lead to other forms of new business for financial institutions, whether from friends or relatives of an IDA participant or the finance departments of a sponsoring organization or program partner.

6. **CRA credit.** Under the Community Reinvestment Act, banks are required by law to invest in their communities. IDA program involvement can count toward CRA credit.

Approaching prospective financial institution partners is not a difficult task; however, the right approach will make your recruiting efforts much more successful. Some ideas to keep in mind as you work to arrange partnerships:

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Who Does What?

Roles of IDA programs and financial institutions

(continued)

What a program must do:

- Direct participants to a designated financial institution or institutions
- Send participants monthly IDA statements that reflect their savings activity and earned matching funds
- Monitor participants' monthly account activity (deposits and withdrawals)
- Track monthly account activity (ideally with a Management Information System - MIS)
- Develop a withdrawal procedure for matching funds
- Calculate and account for matching funds earned based on participant savings
- Provide individualized counseling to participants as needed
- Facilitate financial literacy courses

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Keys to Approaching Prospective Partners

1. **Be prepared**. A well planned IDA program and clear objectives for a proposed partnership will demonstrate to a bank or credit union that your program has high potential for success.

2. **Be flexible**. Although your program may develop an extensive partnership "wish list," it's important to be willing to bend on items that aren't crucial. Very few partnerships develop without some compromises.

3. **Be realistic**. Carefully constructed requests demonstrate to potential partners that you are reasonable and will be easy to work with throughout a relationship.

An Excerpt from the December, 1997 "Community Liaison"
Newsletter of the Office of Thrift Supervision

How Can Thrifts Partner with IDA Programs?

Individual Development Accounts, for the educational, housing or business development benefit of low or moderate-income individuals, serve community development purposes under the Community Reinvestment Act (CRA). Thus, partnership activities with local IDA program providers may assist thrifts in receiving favorable consideration under the CRA. Here are a few examples of how thrifts can partner with IDA programs.

Providing retail banking services, such as free checking and ATM services to low or moderate-income IDA account holders, will receive favorable consideration under the retail services part of the service test.

If a thrift provides deposit subsidies or matching dollars to an IDA program, this activity will be treated as a charitable contribution for the provision of affordable housing, community services or small business development. Therefore, the matching funds, as well as the provision of operating funds to an intermediary group, would be counted as a qualified investment.

If a thrift makes a loan to an IDA account holder for housing or employment in a new small business, the loan would be reported as a home mortgage or small business loan. These loans would receive positive consideration under the lending test as such loan.

If thrift management or staff participate in the development or implementation of economic literacy training for low- to moderate- income IDA account holders, work on the curriculum or as teachers would be includable as a community development service under the service test. Such consideration would also be given if management or staff served on an advisory board.

4. **Be professional**. Financial institutions are accustomed to evaluating people and organizations; most bankers or credit union managers will instinctively scrutinize your materials, appearance, follow-through, and punctuality.

5. **Speak in financial terms, not just community terms**. Banks and thrifts are in business to make a profit and credit unions must think fiscally in order to remain solvent. Remember to emphasize the aspects of a partnership that may help your prospective partner's business goals as well as those that will benefit your program.

6. **Don't be afraid to ask for funding.** Financial institutions will benefit from your partnership with new customers and, possibly, the deposit of matching funds. Given these benefits, don't shy away from asking for matching and operating funds.

7. **Use personal connections**. The first step to establishing a partnership is getting in the door to present your case; use your organization's contacts to arrange meetings with a key decision makers at the financial institutions you would like to recruit.

8. **Draw on existing relationships.** Financial institutions that already know you are more likely to listen to your case.

9. **Shop around**. Talk to as many local banks and credit unions as possible. The more contacts you make, the more likely you are to find institutions that are flexible and willing to develop strong partnerships.

Case Study: Evolution of a Financial Institution Partnership

Community Action Project of Tulsa County and the Bank of Oklahoma

Community Action Project of Tulsa County (CAPTC) and the Bank of Oklahoma (BOk) worked together on a several projects prior to launching an IDA program, including collaboration on CAPTC's free tax preparation service, for which BOk had made space available at several branches. When CAPTC's Execu-tive Director decided to write an IDA proposal, he contacted the Chairman of BOk to ask for a letter of support. The letter indicated the BOk Chairman's foundation would provide $100,000 in matching funds and BOk would be the exclusive depository institution for IDA program accounts. When CAPTC's IDA grant application was approved, BOk appointed a project team to develop a working partnership. The team included BOk's Vice President of Marketing (in charge of CRA), a BOk Project Manager and District Branch Manager. The IDA Program Coordinator met with the BOk team to familiarize them with CAPTC's IDA program design and begin to negotiate IDA account characteristics. Within months an account structure was crafted based on the bank's capabilities, computer system requirements, and legal considerations as well as IDA program priorities. BOk integrated the outcome into its computer systems, procedures and employee training by handling IDA accounts as any other BOk product.

Section 3.6: Legal Issues

In the course of planning and implementing your IDA program, you are likely to generate several legal/policy questions and encounter a small number of legal impediments. This section focuses on a few possible problem areas, and argues that IDA sponsoring organizations should work closely with policymakers to eliminate possible conflicts.

Three

Legal/Policy Considerations

1. **What role will relationships with state and local officials play in your IDA program?**
2. **What is the tax status of various categories of IDA funds?**
3. **How may public assistance asset/resource limits affect your IDA program?**

1st Consideration: Relationship with State and Local Officials

What role will relationships with state and local officials play in your IDA program?

Cultivating good working relationships with state and local officials may be the best strategy for overcoming legal/policy issues when they arise. To the extent that such questions may be discretionary matters, it will help for your IDA program to have established a relationship with the officials who interpret policy language. Some suggestions for working with government officials such as public housing authority administrators, state welfare officials, social security administration managers, etc., include:

- Inform policy makers of your IDA plan and include them in discussions concerning program design. If you have an advisory committee, invite key officials.
- Solicit advice from those who may be important to your program's success or whose opinion and experience you especially value. Remember to ask early and often.
- Cultivate ties that your organization has developed with local officials through other programs. Preexisting relationships are a good foundation for new ones.

2nd Consideration: Taxation

What is the tax status of various categories of IDA funds?

When considering the taxability of various IDA components, remember a basic rule of money and taxes: unless the law in your state says otherwise, assume that every dollar should be taxed once. The federal tax status of IDAs, however, seems to be moving in the opposite direction — that is, IDA match and interest will not be taxable to the participant (although interest earned on individual savings remains taxable). On October 14, 1999, the Internal Revenue Service (IRS) issued a ruling (Revenue Ruling 99-44) clarifying that IDA match (and interest earned thereon) is a "gift" and therefore is not taxable to the participant. Note, however, that this ruling technically applies only to IDAs funded through the Assets for Independence Act (AFIA) — though it is likely to set a precedent that will affect all IDAs, regardless of the funding source. CFED is currently working to clarify whether the ruling could be applied to IDAs funded outside of the AFIA.

In the meantime, CFED advises that accountholders treat the matching funds (and interest thereon) as *taxable*; it is better, in our view, to pay some taxes when none may have been necessary than to pay none and later learn that such funds were taxable — which may involve not only the back taxes, but also interest, penalties, and potential damage to one's ability to secure credit and other financial services.
The following summary provides guidance on IDA taxation issues:

ⓘ ***For additional information on this recent, favorable tax ruling, refer to the IDA Network web site (www.idanetwork.org). Questions may also be directed to Karin Gross, Office of the Assistant Chief Counsel, Income Tax and Accounting at (202) 622-4930.***

Summary: Categories of IDA Funds and their Tax Status

1. **Participant's Savings.** Some proceeds from an Individual Development Account are subject to federal and state taxes. The base contribution from a program participant (a participant's own savings) is NOT taxable, as long as it comes from earned income. This money has already been taxed at the time a program participant earned the money from work. The government will not tax earnings a second time.

2. **Interest on Participant's Savings.** The interest earned on a participant's savings has not been taxed, is considered income, and will be taxable either upon withdrawal or in the year it is accrued.

3. **Savings Match.** Per the discussion above, match funds are not taxable for IDAs funded through AFIA, and this treatment will likely be extended to all IDAs.

4. **Interest on Match.** Also per the discussion above, interest earned on match funds for AFIA-funded IDAs is not taxable, and this treatment will likely be extended to all IDAs.

Thus, until a ruling is issued, all amounts in the IDA — except the participants' own savings — are taxable. That is, matching funds and all interest are taxable.

3rd Consideration: Asset/Resource Limits

How may public assistance asset/resource limits affect your IDA program?

Because IDA participants may be receiving some form of public assistance, you should provide participants with guidance on how the program will effect eligibility for public assistance.

This issue is, unfortunately, complicated. It is important to know that not all IDAs are treated equally, and that IDA savings may be protected in some public assistance programs, but not in others. Also, in some cases the asset limits are set by the federal government (SSI and Food Stamps), in other instances by states (TANF), and in other cases the federal government sets the limits but allows states to employ different methodologies to determine what does and does count toward the federally-set limit (Medicaid).

In general, there are three protections that prevent IDA savings from impacting an accountholder's eligibility for public assistance programs: (1) the IDA receives funding from TANF or the Assets for Independence Act (AFI); (2) the federal or state asset limits are set high enough that IDA savings are unlikely to reach such limits (although IDA savings, in combination with other assets, may push someone close to or beyond the limit); and (3) the public assistance program itself can specifically exempt IDA savings from consideration (although no programs offer this exemption as of yet).

All amounts in federally funded TANF IDAs, and all *matching* funds in AFI-funded IDAs[1], do *not* affect eligibility for any federal program based on need, whether it be Food Stamps, SSI, or Medicaid. If participants in your IDA program are *not* exempted under TANF or AFIA, you need to examine state and federal asset limits. The Center on Hunger, Poverty and Nutrition Policy at Tufts University compiles information on asset limits and has prepared the following summary:

Asset Limits for TANF Recipients

State	Asset Limit* ($)	Vehicle Exemption ($)	State	Asset Limit* ($)	Vehicle Exemption ($)
AL	2,000*	one vehicle	MT	3,000	one vehicle
AK	1,000	one vehicle	NC	3,000	5,000
AR	3,000	one vehicle	ND	8,000	one vehicle
AZ	2,000	one vehicle	NE	6,000	one vehicle
CA	2,000*	4,650	NH	2,000	one vehicle
CO	2,000	one vehicle	NJ	2,000	9,500
CT	3,000	one vehicle	NM	3,500	one vehicle
DC	1,000	1,500	NV	2,000	one vehicle
DE	1,000	4,650	NY	2,000	one vehicle
FL	2,000	8,500	OH	No limit	one vehicle
GA	1,000	4,650	OK	1,000	5,000
HI	5,000	one vehicle	OR	10,000**	10,000
IA	5,000	3,889	PA	1,000	one vehicle
ID	2,000	4,650	RI	1,000	4,650
IL	3,000	one vehicle	SC	21500	10,000
IN	1,000	1,500	SD	2,000	4,650
KS	2,000	one vehicle	TN	2,000	4,650
KY	2,000	one vehicle	TX	2,000	4,650
LA	2,000	10,000	UT	2,000	8,000
MA	2,500	5,000	VA	1,000	7,500
MD	2,000	one vehicle	VT	1,000	one vehicle
ME	2,000	one vehicle	WA	4,000***	5,000
MI	3,000	one vehicle	WI	2,500	10,000
MN	5,000	7,500	WV	2,000	one vehicle
MO	5,000	one vehicle	WY	2,500	12,000
MS	1,000	1,500			

1 Note that, as of this writing, CFED is working to secure a technical amendment to the Assets for Independence Act that would clarify that *all* savings in the IDA, not just the matching funds, would be disregarded in determining eligibility for federal programs based on need. Should we succeed, then both TANF and AFI funded IDAs would offer full protection of other benefits.

Policies in effect on 1/1/98. Source: Center on Hunger and Poverty survey of state TANF decisions, published in *State Investments in Income and Asset Development for Poor Families*, Tufts University, Center on Hunger and Poverty, January 1999.

* Asset limit which applies to the majority of TANF households is listed. AL, CA, NY, and TX have asset limits of $3,000 if an elderly and/or disabled person is included in the household.

** $2,500 in liquid assets allowed for applicants. Limit increased to $10,000 for recipients with self-sufficiency plans.

*** Up to $3,000 in savings and up to $ 1,000 in non-exempt resources allowed.

Supplemental Security Income (SSI)

- SSI eligibility is restricted to qualified persons who have resources/assets of not more than $2,000, or $3,000 in the case of a couple (even if only one party is eligible.) In determining countable resources, a number of items are excluded, such as a home; up to $2,000 in household goods and personnel effects; and the first $4,500 of fair market value of a vehicle (or full value of one vehicle if needed for medical or employment reasons).

Food Stamp Program

- To be eligible for food stamps, households may have up to $2,000 in countable resources (i.e., checking/savings account, cash, stocks/bonds). Households where at least one member is age 60 or older may have up to $3,000 in resources/assets

- For vehicles used for work, training, or education to prepare for work or job search, the amount of fair market value exceeding $4,650 is included as a countable resource. Vehicles that serve as the household's home or those that are used over 50% of the time for long-distance travel for work (other than daily commute), to transport a physically disabled household member or to transport water or fuel are not counted as a resource. For all other vehicles, the fair market value over $4,650 or the equity value, whichever is more is counted as a resource.

Note: President Clinton's July 1999 "Food Stamp Initiative" stipulates that states have the option to extend food stamp benefits automatically to TANF recipients. If a state exercises this option (very few states have to date), then the TANF vehicle asset limit will supercede the food stamp asset limit for individuals receiving both benefits. (In most states, TANF asset limits are more generous.) Call your state welfare office to find out if this option is being exercised; if it is not, request that it be adopted.

Medicaid

- Generally, resource criteria for Medicaid eligibility is matched with the eligibility requirements for the federal assisted income maintenance programs in which the recipient participates. As an exception, the 1996 federal welfare law decoupled Medicaid eligibility from TANF, with the resource eligibility for Medicaid remaining at the AFDC levels in effect on July 1996. Note that in using the "pre-welfare reform eligibility criteria" to determine Medicaid eligibility, states have greater flexibility in determining asset limitations. For example, states may determine that a car or a certain amount of money in business assets does not count toward a $3,000 asset limit.

4 Program Management

4 Program Management

4 Program Management

Building the infrastructure to support a solid IDA program is only half the challenge of supporting an IDA Program. Even well constructed programs will be unsuccessful if they lack sound management. Fundraising, budgeting, and information management all play critical roles in the operational success of your IDA program. This chapter discusses the importance of these functions and makes recommendations for setting up processes that will ensure that your IDA program runs smoothly.

Section 4.1: Budgeting

As you assemble the pieces of your IDA program it will eventually become necessary to quantify the financial cost of your program. The the financial cost of your program. The cost of an IDA program can be broken into two distinct categories: matching funds (money used to match participants' saving deposits) and operating funds (money used to handle all other administrative and overhead costs associated with running a program). Although both types of funds must be budgeted, each should be considered separately.

Two Budgeting Considerations

1. **How can your program create a budget for required matching funds?**
2. **How can your program create a budget for required operating funds?**

1st Consideration: Matching Funds

How can your program establish a useful matching funds budget?

The major determinant of your program's matching funds budget will be the match structure (see the *Match Structure* section in this chapter) you establish. Match structure variables, including accumulation periods, monthly savings ranges, match ceilings and match rate(s), directly impact the potential and probable amount of match funding your program will need. It is impossible to assemble a meaningful match budget without first designing a provisional match structure.

Once you have designed a match structure, several other variables must be established or estimated before you can create a match budget: the number of participants your program will enroll, the length of time each participant is expected to save ("accumulation period"), the dates different groups of participants will begin saving ("start dates") and the percentage of participants expected to leave your program before qualifying to receive matching funds ("attrition rate").

With these figures in hand, matching funds may be budgeted by simply filling in the blanks of a spreadsheet that might include the following columns:

A	B	C	D	E	F	G	H
Number of Participants	Participants' Projected Avg. Savings (Monthly)	Accumulation Period (Months)	Projected Total Savings (A*B*C)	Match Rate	*Projected* Total Match Funding (D*E)	Match Ceiling	*Maximum* Total Match Funding (A*E*G)

Under these column headings, rows can be added to represent different categories of participants, including those that are saving for different asset goals, those that will save for different accumulation periods, or both:

Saving for Assets

	Number of Participants	Participants' Projected Avg. Savings (Monthly)	Accumulation Period (Months)	Projected Total Savings (A*B*C)	Match Rate	*Projected* Total Match Funding (D*E)	Match Ceiling	*Maximum* Total Match Funding (A*E*G)
Homeownership	12 (1/99)	$35	48	$20,160	2:1	$40,320	$2,160 ($45/mon.)	$51.840
	12 (4/99)	$35	45	$18,900	2:1	$37,800	$2,025 ($45/mon.)	$48,600
	12 (7/99)	$35	42	$17,640	2:1	$35,280	$1,890 ($45/mon.)	$45,360
Microenterprise	5 (1/99)	$30	36	$5,400	2:1	$10,800	$1,260 ($35/mon.)	$12,600
	5 (4/99)	$30	33	$4,950	2:1	$9,900	$1,155 ($35/mon.)	$11,550
	5 (7/99)	$30	30	$4,500	2:1	$9,000	$1,050 ($35/mon.)	$10,500
Education	8 (1/99)	$32	24	$6,144	1:1	$6,144	$840 ($35/mon.)	$6,720
	8 (4/99)	$32	21	$5,376	1:1	$5,376	$735 ($35/mon.)	$5,880
	8 (7/99)	$32	18	$4,608	1:1	$4,608	$630 ($35/mon.)	$5,040
	Total: 75					$159,228		$198,090

Although your first concern may be to quantify *how much* match funding your program will require, it is also be important to project *when* your participants will earn match funds. Potential funders will support your program more generously if you are able to break down your funding needs by program year. Such detail allows funders to provide first year support while pledging support for later years.

In order to predict more precisely when participants will earn matching funds, and therefore when your program must have the funds on deposit, you might break down by program year totals columns F and H from the above spreadsheet. The resulting sheet would identify both total match funding required and the amount of earned match funds resulting from each year of program operation. To simplify, you may wish to create separate spreadsheets for both **projected match** (based on the amount you expect participants will actually save) and **maximum match** (the most matching funds participants could earn).

In the following examples, note that the accumulation months for each program year correspond to the number of months a group of participants (represented by a row of the spreadsheet) will save during that program year. A group that starts midway through the first program year (in the example, 7/99), for example, would only have six accumulation months in program year one.

Example of *Projected Match* Funds Required, By Program Year and In Total

	Participants			**Program Year 1**			**Program Year 2**			**Program Year 3**			**Program Year 4**			**Total Program**		
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
	Number (Start Date)	Projected Average Monthly Savings $	Match Rate	Accumulation Mos.	Projected Savings $ (A*B*D)	Projected Match $ (C*E)	Accumulation Mos.	Projected Savings $ (A*B*G)	Projected Match $ (C*H)	Accumulation Mos.	Projected Savings $ (A*B*J)	Projected Match $ (C*K)	Accumulation Mos.	Projected Savings $ (A*B*D)	Projected Match $ (C*N)	Accumulation Mos. (D+G+J+M)	Projected Savings $ (E+H+K+N)	Projected Match $ (F+I+L+O)
Homeownership	12 (1/99)	$35	2:1	12	$5,040	10,080	12	$5,040	10,080	12	$5,040	10,080	12	$5,040	10,080	48	20,160	40,320
	12 (4/99)	35	2:1	9	3,780	7,560	12	5,040	10,080	12	5,040	10,080	12	5,040	10,080	45	18,900	37,800
	12 (7/99)	35	2:1	6	2,520	5,040	12	5,040	10,080	12	5,040	10,080	12	5,040	10,080	42	17,640	35,280
Microenterprise	5 (1/99)	$30	2:1	12	$1,800	$3,600	12	$1,800	$3,600	12	$1,800	$3,600	0	$0	$0	36	$5,400	10,800
	5 (4/99)	30	2:1	9	1,350	2,700	12	1,800	3,600	12	1,800	3,600	3	450	900	36	5,400	10,800
	5 (7/99)	30	2:1	6	900	1,800	12	1,800	3,600	12	1,800	3,600	6	900	1,800	30	5,400	10,800
Education	8 (1/99)	$32	1:1	12	$3,072	$3,072	12	$3,072	$3,072	0	$0	$0	0	$0	$0	24	$6,144	$6,144
	8 (4/99)	32	1:1	9	2,304	2,304	12	3,072	3,072	3	768	768	0	0	0	21	6,144	6,144
	8 (7/99)	32	1:1	6	1,536	1,536	12	3,072	3,072	6	1,536	1,536	0	0	0	18	6,144	6,144
	75			$37,692			$50,256			$43,344			$32,940			$164,232		

Example of Maximum Match Funds Required, By Program Year and In Total

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
	Participants			Program Year 1			Program Year 2			Program Year 3			Program Year 4			Total Program		
	Number (Start Date)	Projected Average Monthly Savings $	Match Rate	Accumulation Mos.	Projected Savings $ (A*B*D)	Projected Match $ (C*E)	Accumulation Mos.	Projected Savings $ (A*B*G)	Projected Match $ (C*H)	Accumulation Mos.	Projected Savings $ (A*B*J)	Projected Match $ (C*K)	Accumulation Mos.	Projected Savings $ (A*B*D)	Projected Match $ (C*N)	Accumulation Mos. (D+G+J+M)	Projected Savings $ (E+H+K+N)	Projected Match $ (F+I+L+O)
Homeownership	12 (1/99)	$45	2:1	12	$6,480	12,960	12	$6,480	12,960	12	$6,480	12,960	12	$6,480	12,960	48	25,920	51,840
	12 (4/99)	45	2:1	9	4,860	9,720	12	6,480	12,960	12	6,480	12,960	12	6,480	12,960	45	24,300	48,600
	12 (7/99)	45	2:1	6	3,240	6,480	12	6,480	12,960	12	6,480	12,960	12	6,480	12,960	42	22,680	45,360
Microenterprise	5 (1/99)	$35	2:1	12	$2,100	$4,200	12	$2,100	$4,200	12	$2,100	$4,200	0	$0	$0	36	$6,300	12,600
	5 (4/99)	35	2:1	9	1,575	3,150	12	2,100	4,200	12	2,100	4,200	3	525	1,050	36	6,300	12,600
	5 (7/99)	35	2:1	6	1,050	2,100	12	2,100	4,200	12	2,100	4,200	6	1,050	2,100	36	6,300	12,600
Education	8 (1/99)	$35	1:1	12	$3,360	$3,360	12	$3,360	$3,360	0	$0	$0	0	$0	$0	24	$6,720	$6,720
	8 (4/99)	35	1:1	9	2,520	2,520	12	3,360	3,360	3	840	840	0	0	0	24	6,720	6,720
	8 (7/99)	35	1:1	6	1,680	1,680	12	3,360	3,360	6	1,680	1,680	0	0	0	24	6,720	6,720
	75			$46,170			$61,560			$54,000			$42,030			$203,760		

With these spreadsheets in hand, you are ready to make an adjustment in order to arrive at a working match funding budget: your program's *participant attrition rate*. All IDA programs lose participants, whether the result of a change in a participant's life-situation (relocation, for example) or because a participant turns out not to be ready for the challenges of long-term saving. From a matching fund budgetary perspective, the lower your program's attrition rate, the greater your program's funding requirements will be. As a rule, programs should budget matching funds conservatively; however, assuming some rate of attrition from the outset of your planning process is reasonable. It will be more valuable for you to track your program's attrition rate and update your matching budget as time goes on. If after your program's first year, for example, you have lost 10% of participants, you could reasonably begin to project an attrition rate of 10% or more. To begin with, you may wish to choose a conservative figure, such as 5%, for an attrition rate.

Applying an attrition rate to the figures generated from the preceding example would yield:

Projected Match Funds (factoring in attrition)

Program Year 1	Program Year 2	Program Year 3	Program Year 4	Total Program
$37,692	$50,256	$43,344	$32,940	$164,232
	*x Retention Rate of **95%** (corresponds to an Attrition Rate 5%)*			
$35,807	$47,743	$41,177	$21,293	$156,020

These figures can serve as fundraising targets and will help your program project when participants' accrued matching funds are likely to be withdrawn through qualified withdrawals.

2nd Consideration: Operating Funds

How can your program build an operating funds budget?

In contrast to matching funds, operating costs are driven less by participant numbers and more by major categories of expense. In order to produce a realistic and accurate operating budget, organizations should begin by considering the types of expenses they are likely to incur and in what order of magnitude. Some sample expense categories:

- staffing (salaries, benefits, training expenses);
- occupancy (rent, utilities);
- systems (computer hardware, software, management information system);
- supplies & materials (program posters, brochures, office supplies);
- utilities & services (telephone, postage, photocopying);
- consulting (for economic literacy development, training in participant counseling);
- travel (routine, special conferences); and
- other (perhaps refreshments for orientations & financial skills building workshops).

Staff related expenses are likely to be one of the largest components of any IDA program operating budget. Accordingly, your organization should reflect carefully on the amount of staff your program will require in order to be successful. The *Staffing* section of this chapter should assist you in estimating the amount of time various IDA program functions will consume.

The final operating budget consideration is *when are expenses likely to occur in the life of your program.* Some costs, such as salaries and occupancy, are likely to be fairly consistent or rise slightly over time. Other expenses may be concentrated at the beginning of your program — office materials or computer hardware and software, for example.

As you consider an operating budget, bear in mind that most funders will respond more favorably to IDA programs whose matching budget exceeds its operating budget. Programs should be mindful of the relative size of an operating budget, often perceived as simply "overhead," and a matching budget, easily recognizable as money that will directly benefit IDA participants.

Once you have determined your program's likely operating expenses, refine your budget by breaking expenses into categories and program years. For example:

Expense Category

Line Item	Year 1	Year 2	Year 3	Year 4	Totals
Staffing					
Salaries	$44,000	$45,760	$47,590	$49,494	$186,844
Benefits	$8,766	$9,380	$10,037	$10,740	$38,923
Consulting					
Ec. Literacy Specialist	$4,000	$1,500	$0	$0	$5,500
Occupancy					
Rent	$10,000	$10,300	$10,609	$10,927	$41,836
Electricity & Heat	$600	$618	$637	$656	$2,511
Systems					
Computer Hardware	$1,250	$100	$100	$100	$1,550
Computer Software	$450	$0	$150	$0	$600
MIS	$2,000	$0	$0	$0	$2,000
Supplies & Materials					
Participant Workbooks	$600	$200	$0	$0	$800
Office Supplies	$500	$300	$200	$200	$1,200
Services					
Postage	$400	$400	$400	$400	$1,600
Photocopying	$200	$206	$212	$218	$836
Telephone & ISP	$250	$258	$266	$274	$1,048
Travel					
Employee Mileage	$180	$240	$240	$120	$780
Annual Conference	$750	$780	$811	$843	$3,184
Other					
Conference Registration	$225	$230	$235	$240	$930
Food for Workshops	$200	$204	$208	$212	$824
Totals	$74,371	$70,476	$71,695	$74,424	$290,966

Section 4.2: Fundraising

Raising match and operating funding is an essential and effort-intensive part of building an IDA program. The success of fundraising for IDA programs to date is testament to the fact that there are those willing to fund your IDA program. The keys to getting support are to identify potential sources and to present compelling reasons to donate to your program.

Fundraising for IDA programs involves two somewhat separate components: raising **matching funds** for participants and raising **operating funds** to support the administrative costs of running your program. Lack of either type will not bode well for your participants. Without matching funds participants won't accumulate enough money to purchase their asset goals. Insufficient operating funds will mean participants will be shortchanged on the financial skills building, individual counseling and account management that are essential to prepare for long-term asset ownership.

Your IDA program will extend a promise to participants that their savings will be matched. With this promise your program assumes a responsibility to ensure that adequate funds exist to provide such matches. For this reason, IDA programs should have most, if not all, funds committed before enrolling participants. It would be disastrous for your program, and for the IDA field in general, if savings could not be matched because fundraising proved to be more challenging than you predicted. Raising matching funds up front also allows your program to offset some of its future fundraising burden with the interest funds will earn once deposited.

Five Fundraising Considerations

1. **What makes your IDA program worth supporting?**
2. **What sources of funds exist to support IDA programs?**
3. **Why would people be motivated to contribute to your IDA program?**
4. **How can your program best approach funding sources?**
5. **What should your program know about a potential funder?**

1st Consideration: IDA "Selling Points"

Why should a prospective funding source support your IDA program?

IDAs are remarkable in the breadth and range of their appeal; you can highlight several attractive features of your program to virtually any potential funder. To a large extent, your ability to astutely determine and emphasize the aspects of your program that will most appeal to a funding source will determine your success in receiving contributions. Different appeals will strike a chord with different funders. The following list of IDA "selling points" can help you start thinking about what might make your IDA program attractive and exciting to potential funders. IDA programs:

1. **Promote economic independence.** IDAs equip low-income individuals with the resources (assets) and tools (economic literacy) to be self-sufficient because they offer a long term solution to the problems of poverty.

2. **Are innovative.** IDA programs recognize that traditional income maintenance social policy does not end poverty. Asset building is an innovative approach and IDAs combine self-help with financial and personal accountability and support.

3. **Deliver outstanding return on investment.** IDA programs leverage small contributions into much larger investments. In the short term, donations will (at a minimum) be matched by participant savings. Further participants will invest IDA funds in their communities as they acquire assets. Finally, as IDAs increase participants' standard of living, they also increase the disposable income moving through the local economy.

4. **Enjoy bipartisan support.** IDA programs appeal to both major political parties. While IDAs are part of an anti-poverty social agenda, they also demand and reward hard work and self-discipline. IDA legislation has been sponsored by senior lawmakers of both the Republican and Democratic parties.

5. **Combine public and private investment.** IDAs are neither a "government program" nor the exclusive domain of the private sector. The existence of combined support may appeal to both funders who are generally opposed to government programs and those who believe government should be doing more to help low income people. The combination of public-private support suggests IDAs have been accepted as workable social policy by a broad array of organizations.

6. **Are not untested.** Although IDAs are a relatively new concept, the theory on which they are founded — that low-income people can and will save for long-term goals — has been tested through microenterprise programs, homeownership programs and decades of Community Development Credit Union experience in low-income communities.

7. **Follow a middle class precedent.** Asset ownership has been a long standing "American Dream" and has been encouraged through programs like the Homestead Act and GI Bill. IDAs extend a traditional middle-class benefit to low-income communities and simply make more widely available government programs that have allowed middle class Americans to obtain meaningful assets for decades.

8. **Build financial knowledge and skills.** In addition to developing asset owners, IDA programs teach participants important skills, like how to plan a family budget or manage a financial emergency. Some funders may be drawn as much to this skill development aspect of IDA work as to the fact that IDAs promote asset ownership.

9. **Increase homeownership.** Creating homeowners is a primary outcome of IDA programs. The value of homeownership is widely recognized and may be an issue of particular significance to some funding sources.

10. **Lead to education and jobs.** IDAs encourage and make possible enrollment in education programs of all types, from community colleges and 4-year universities to vocational training programs. Many organizations (and potential funders) are dedicated to expanding access to post secondary educational and training opportunities and view education as a key to self-sufficiency.

11. **Develop microenterprises.** IDA programs not only provide participants business financing, they equip low-income people with essential skills for entrepreneurial success. Groups that support microenterprise should be pleased to fund IDAs, as they bring self-employment within the reach of low-income people.

12. **Strengthen families.** Economic self-sufficiency and asset ownership stabilize families, both immediately and for generations to come. Groups focused on families' well being should recognize asset ownership as a way to make a lasting impact on families' lives.

13. **Protect children.** Asset ownership promotes family stability and self-determination. These qualities make more secure homes for children. Parents who have earned a post-secondary degree or who own a home, for example, are more likely to raise children who will one day obtain a post-secondary education or become homeowners.

14. **Serve women and men.** A great number of IDA participants are women. With their focus on asset ownership, IDA programs are both an excellent way to foster economic self-sufficiency and autonomy among women and a means to create opportunities for often-neglected groups of low-income men.

15. **Strengthen communities.** Asset ownership gives participants a stake in their communities and provides an incentive to more fully participate in community affairs. In addition, as participants' standards of living and disposable incomes rise, the economic benefits of an IDA program will diffuse throughout an entire community.

16. **Deliver measurable outcomes.** IDA programs target clear, measurable goals and are straightforward to evaluate. This fact should appeal to funders who are concerned about outcomes and who want to know what impact their contributions have. Particularly with an MIS system, it may be possible to track the evolution and ultimate impact of an individual funder's contribution.

17. **Are not handouts.** Before receiving any direct financial support, IDA participants must demonstrate a commitment to fiscal self-discipline, long term saving and financial skill development. This fact will appeal to funders who are wary of programs that appear to offer participants unearned assistance.

2nd Consideration: Sources of IDA Funding

What sources of funds exist to support IDA programs?

One of the first steps in raising money for your program is to identify potential sources of funding. Some may be immediately apparent to you; others may come to light only with some creative thinking. This following list, by no means exhaustive, should help you start to identify funding sources:

1. **Federal government** – In addition to specifically legislated funds (such as those available through the Assets for Independence Act), discretionary funding may be available through federal agencies or departments. From the Department of Housing and Urban Development (HUD), explore Community Development Block Grant (CDBG) funds, HOME Funds, and other home-ownership programs. From the Department of Health and Human Services, look into Job Opportunities for Low-Income people (JOLI) and Community Services Block Grant (CSBG) funding. Welfare to Work funds may be available from the Department of Labor.

2. **State and local government** – Many states have passed IDA legislation that earmarks money for IDA programs and facilitates access to Welfare to Work money. Every state has federal Temporary Aid to Needy Families (TANF) funding, some of which may be tapped for IDA program development and matching dollars.

3. **Financial institutions** – have a natural connection to IDAs because IDAs involve saving, employ financial institutions as depositories, and create new customers. Banks and thrifts are also accustomed to supporting community causes under the Community Reinvestment Act (CRA).

4. **IDA program partners** – understand and support the mission of IDAs and often refer participants from their own client base. Because they have an appreciation for and vested interest in your program, partners are a logical source of support.

5. **Community foundations** – may offer nearly the level of support available from national foundations, but should be more interested in and responsive to programs in the communities they target. They may also have good relationships with local individual donors who are likely to find your IDA program appealing.

6. **National foundations** – like the Ford, Charles Stewart Mott and Annie E. Casey Foundations, may only be interested in proposals that have national implications, either in terms of their scope or because they explore significant new ideas or issues.

7. **Corporations** – businesses often make grants to community organizations either directly or through their own charitable foundations. Corporations are also employers and have an interest in the well being of their employees, who may be potential IDA participants.

8. **Individuals** – people of both substantial and modest means may be willing to support IDA programs, particularly because they have a clear and direct impact on participants and because they are a new, exciting and innovative idea.

9. **Local United Ways** – exist for the sole purpose of channeling corporate and individual support to important social causes. At least five United Ways have active efforts to support IDAs (Atlanta, St. Louis, Mile High/Denver, San Francisco and Essex County/New Jersey). More are expected to follow suit.

10. **Churches and religious charities** – are an excellent source of funds because religious organizations often have a stated commitment to help low income populations and may have program participants among their membership.

11. **Community organizations** – Chambers of commerce or fraternal organizations often have funding available for charitable causes and may be interested in hosting a guest IDA speaker.

12. **Professional organizations** – such as Rotary Clubs or industry-specific associations may support community strengthening activities like IDAs, especially if they appreciate that an IDA program can deliver long-term economic benefits in their members' communities.

13. **School groups or PTAs** – may be interested in the education focus of IDAs; they may support IDA programs generally or earmark support for individual participants.

14. **Colleges and universities** – may be willing to support education IDAs, as their support is likely to return to academic institutions in the form of tuition dollars.

15. **Participants' families, friends, or congregation members** – already have a connection to individual IDA program participants and are likely to feel a commitment to help individual participants achieve their asset goals.

16. **Housing organizations and realtors** – have a vested interest in cultivating programs that create new homeowners and may see their contributions to IDA programs return to them through increased sales and commissions.

3rd Consideration: Motivations for Giving

Why would people or organizations be motivated to support your IDA program?

One way to encourage funding is to consider what motivates people to contribute to your program. Reflecting on why people give should help you understand what your program has to offer a potential donor. IDAs are not simply charitable causes; organizations and communities stand to benefit tremendously from the immediate and long-term implications of asset development. Self-interest can be included as a factor in most peoples' or organizations' motivations for giving. The following suggests some reasons why people may be moved to support your program:

1. **To generate positive publicity.** Corporations, financial institutions, professional associations, community organizations and even religious groups work hard to maintain a good public image. IDAs are new, exciting, and can receive extensive media coverage. Funding an IDA program can be a cost-effective way for any group to associate itself with an innovative and well-respected social initiative.

2. **To generate new business.** Businesses and financial institutions will see their investment in an IDA program returned in the form of additional business; also, funding IDAs ultimately increases the buying power of customers and potential customers.

3. **To strengthen their communities.** Funding IDAs is a tangible way to invest in one's community — successful IDA participants will be economically self-sufficient neighbors and will ultimately generate and invest new resources in their communities.

4. **To take tax deductions.** Individuals and for-profit organizations frequently seek ways to reduce their tax burden. Funds contributed to a non profit IDA sponsoring organization may be tax deductible

5. **To feel good.** Most people like to help others; IDA programs present an opportunity to make a meaningful, lasting, and measurable difference in the lives of low-income families and individuals.

6. **To carry out a mission.** Many organizations have a stated mission to strengthen communities, assist low-income families, increase homeownership or other philanthropic ideal that can help make a case for IDA funding.

7. **To comply with legislation.** Federal, state and local government departments or agencies may be under a legislated mandate to fund IDA programs, such as the federal Assets for Independence Act (AFIA).

8. **To aid a particular participant.** Individuals and organizations may be especially interested in assisting a particular individual person or family with whom they feel a personal connection (as neighbors, relatives, friends, or members of the same church).

9. **To earn CRA credit.** Under the Community Reinvestment Act (CRA), banks must invest in the communities they serve. Funding an IDA program is a way for banks to earn CRA credit while supporting a program that promotes the use of financial institutions.

Locating Potential Funders

Sometimes knowing whom to ask is the biggest challenge in raising funds. Carefully focused research will help you to identify funding sources that are a good match for your program. Begin by considering what makes your IDA program attractive and distinctive; a list of your program's special characteristics will become the basis of your solicitation. For example, because IDA programs focus on asset development, a natural criterion to use when researching for IDA funders would be organizations that mention "asset building" in their guidelines or mission statements. To find even better matches for your program, search for funders with more narrowly defined interests. If your IDA program works with a Latino population and stresses education as a permissible use, for instance, look for funders that have a specific interest in the Latino community, education or job training. Because "asset building" and "asset development" are relatively new concepts in social policy, be sure to widen your search beyond asset development to see what other funding sources you can find.

Fundraising, also called development, research can be performed in a number of ways:

Specialized Development Libraries – many cities have non-profit organizations like The Foundation Center that exist primarily to help non-profit programs and agencies to identify funding sources. These agencies may publish a guide or operate a facility with knowledgeable staff and specialized listings.

Public Libraries – with computerized reference resources, a local library can help you access information about corporations and foundations throughout your community or the country.

On-line – if you have access to the Internet, you can often research right from your desk, using your IDA program's special features and characteristics as the basis for Internet searches.

Local Business Journals & Newspapers – these publications are a great source of information about which local businesses are making a profit, hiring employees and/or already supporting other charitable causes; in other words, the organizations that may be good targets for your fundraising efforts.

Other Organization's Annual Reports – other charitable organizations often list funding sources in their reports and publications; if an organization shares features or characteristics with your IDA program, their funders might be interested in supporting your program, too.

4th Consideration: Approaches to Fundraising

What means can your program use to approach potential funding sources?

A variety of tools are available to raise funds for your program. In fact, part of the challenge of raising money is selecting the best approach for each prospective funder. This list of techniques provides a variety of options for crafting effective appeals. Regardless of which approach you employ, it will be to your advantage to make sure that every appeal is initiated by someone who is *genuinely knowledgeable about*

IDAs, asset building and your particular program. Involving someone who has a solid appreciation of your program and its philosophical foundation will enhance the credibility, accuracy and persuasiveness of your appeal, both in subtle and less than subtle ways. This is especially true for in-person appeals, because your program representative is more likely to be asked challenging questions about IDAs and about your program design.

Fundraising Techniques

In person appeals. Appealing to a funder in person can be tremendously effective because face to face meetings are interactive and afford you an opportunity to reach funders on an emotional level. You may also have an opportunity to introduce a funder to a current or former program participant. In person appeals can be arranged through personal contacts, by requesting an invitation (to a foundation, for example) or by making clear in a written proposal (a corporate appeal, for instance) that you would welcome a chance to answer questions in person.

+ allow you to make for a personal connection with a funder
+ permits a more direct, emotional appeal than is possible in writing
+ is interactive, dynamic and allows a funder to ask questions
+ may allow you to introduce a funder to current or former IDA participants
- are often difficult to arrange, particularly without a personal contact
- consume staff time, both for the appeal and preparation

Written proposals. Perhaps the most common way to request funding, written proposals can be used to present a carefully crafted and detailed appeal to foundations, corporations and other organizations. Every IDA program should develop some type of basic written proposal that can be modified and used for different prospective funders.

+ allow for careful research, preparation and presentation of detailed information
+ can be modified and reused for a variety of different audiences
+ facilitate appeals to a wide range and great number of prospective funders
- often are less engaging, appealing or personal than face to face meetings
- require an initial investment of time to write and refine

Special events. Benefit dinners, auctions, bake sales, car washes and other events designed to generate revenue for your program can be a good way to raise money while building awareness of the need for asset building and IDAs.

+ achieve dual goals: raise money while introducing event participants to IDAs
+ new funders may be drawn to an event who wouldn't otherwise know of IDAs
+ can be fun community building activities for IDA participants, staff and guests
- can be risky as it is sometimes difficult to know if an event will be profitable

- typically require large investments of staff and volunteer time and energy
- low return on investment
- not long term

Informational meetings / introductions. Sometimes funding sources must be cultivated over time. Through informational introductory meetings with potential funders — preferably with key representatives of funding organizations — your program can educate potential supporters about IDAs and establish personal contacts. Once your program has established a relationship with a prospective funder it may be appropriate to request financial support.

+ allows your program to develop a personal contact with a prospective funder
+ a way in the door of new or difficult-to-access funders
+ separates the process of getting acquainted with a funder from the discomfort or pressure often associated with funding requests
- generally requires program supporters who have personal connections, are willing to make introductions and participate in introductory meetings
- not every meeting will lead to funding; requires patience
- long term; little immediate pay-off

Direct mail. Either as part of an existing mailing like an organizational newsletter or by themselves, direct mail appeals to individuals can yield contributions. A selected list, such as individuals who have contributed to your organization in the past or a donated list of church congregation members with a letter co-signed by the pastor, can increase the number of letters that result in contributions.

+ relatively easy to set up and implement
+ can reach many individuals efficiently and often cost effectively
+ may develop a list of on-going supporters who can be solicited annually
- generally have a low rate of return in early mailings
- postage and printing can be costly and require up-front investment

Group presentations. Particularly because IDAs are a relatively new and exciting concept, your program should be able to arrange public speaking engagements for community groups, professional associations or other organizations. While these presentations typically take the form of an informational talk rather than a funding appeal, they present a chance to educate a captive audience about your program's work and set the stage for a future funding solicitation. Some audiences may allow you to pass the basket after a speech while others may allow you to circulate a sign in list for later follow up. Some organizations will also pay a small speaking honorarium.

+ opportunity to educate a group audience about your IDA program
+ should cause audience members to be sympathetic to a funding appeal

+ generates program publicity, often among influential community members

- can be time intensive to arrange for, practice and deliver presentations

5th Consideration: Knowing Your Potential Funders

What should your program know about a potential funder before soliciting support?

It is important to have a thorough understanding of any funding source you approach. The better you know your audience the better you can tailor your message and anticipate questions, concerns and objections. Well-tailored appeals help your program appear knowledgeable about a funder and convey to potential supporters that they are important to you. When possible, familiarize yourself with the following information about a potential funder:

- **General Interest or Mission**. Almost everyfunder, whether an organization or individual, will have some area or areas of particular concern or interest. For organizations, this area of interest will likely be reflected in a mission statement. Individuals may share with you in conversation the causes they feel are particularly important. Once you know a potential funder's area of interest, use your appeal to highlight the way in which IDAs address that funder's mission or interests. For example, you might emphasize the ways that asset ownership can lead to safer, more stable homes and communities for children in a proposal to a foundation that stresses prevention programs for children.
- **Funding History**. Knowing what programs a funder has supported in the past provides you with important information; it can help you determine to what types of causes a funding source contributes, how much a source typically gives, and what areas of interest may be particularly important to that funder. Funding history information is often available upon request from organizations and may be listed in their annual reports.
- **Giving Capacity.** Every funding request must eventually include a figure, the amount your program is asking for. This figure should be based on what your program needs and what you perceive is a reasonable and realistic amount for a funding source to provide. Knowing the amount of past gifts helps you establish what is a reasonable request. Asking for too little sells your program short; asking for too much may cause a funder to believe you are relying too heavily on one source.

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Elements of an Appeal

To ensure that your appeal is compelling, certain elements should appear somewhere in any written or in-person proposal. After all, appeals are really an effort to persuade an audience — whether it's a single reader or a committee — that your program is worthy of funding. Effective proposals integrate the following basic components to create a persuasive appeal:

Articulate Need – Funders should understand and believe that your program needs their support. In this section of your proposal, explain why your program is worth supporting. Brief anecdotes or stories of a participant's experience often form powerful illustrations.

Identify Population – Funders are interested in who will benefit from their support, especially if they have a stated commitment to a particular population or community. Paint a picture of the population your program serves, possibly including the story of an individual participant.

Provide a Good Program Description – No one will fund a program they don't understand. This section is your opportunity to succinctly explain how your program functions. Strike a balance between describing every program detail and omitting information the reader is likely to wonder about. *continued next page*

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- **Specific Interests.** In addition to a general mission, a potential funder may have a particular interest that your program addresses. Some funders may be interested in contributing matching funds, others may prefer to provide operating support, some may be particularly drawn to support the economic literacy component of your program, or some may be interested in helping specific populations (e.g., single mothers on welfare).

- **Likely Concerns.** Every potential funder will have questions or concerns about your proposal. The more of these that you are able to anticipate and address from the outset, the fewer reasons a funder will have to dismiss your appeal. Try to view your request through the eyes of the source you are approaching. Identify any weaknesses or areas about which the funder is likely to have questions. Make it clear that you welcome the opportunity to discuss and answer questions they may have.

- **Connections to Your Organization.** Funding decisions may ultimately be determined by intangible, personal factors. If your organization has some connection to a potential funder, point it out in your appeal. Many funders feel more comfortable giving to organizations with which they have a history or a personnel contact. Corporations often support causes for which their employees volunteer or serve on the board of directors. Individuals like to give to programs that serve people in their communities. Churches are more likely to support programs that involve their members.

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Elements of an Appeal

(continued)

Lay Out a Work Plan – Funders want to know specifically what their contribution will be used for. Describe how you plan to implement and fund your program and illustrate where they fit in to your overall strategy. Include a detailed budget.

List Expectations, Goals & Anticipated Outcomes – Your program will appear credible and well prepared if you describe the outcomes you are seeking from your efforts and how you will define and measure success.

Support Your Concept – You can strengthen your proposal by supplying background information about the idea or theory on which your program is based. Academic research, studies or other works not produced by your organization can provide context and authority to your appeal.

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Final Thoughts

- **Fundraising as education.** Because IDAs are a relatively new concept, a large part of fundraising is simply educating potential funders about the benefits of asset building and matched savings. Viewing fundraising as an extension of your outreach and education efforts may reduce some of the anxiety associated with raising money and may help widen the range of program staff who are able to participate in your efforts.

- **Put a face on your appeal.** One of the most compelling features of IDAs is that they *directly* impact people's lives. This fact should be evident in your appeals. Donors like to know about who will receive assistance and that their support will make a meaningful difference in the life of a real family. If at all possible, ask program participants to speak to funders in person or to allow you to use their life stories in your proposals.

- **Competition.** Remember that your IDA program is in competition for funding with a wide array of other programs. Your task in appealing to funders is to distinguish your program from other potential funding recipients. Ask yourself what makes your program special and why it would be more attractive to support than other causes. Craft your appeal in such a way that it is answers these questions consistently throughout.

- **Getting in the door.** In many situations, half the battle is gaining access to the people that make funding decisions. Use your connections in the community to access funders who may otherwise be hard to reach. Take every opportunity to meet face to face with potential funders; personal appeals are almost always more compelling than written proposals. Recognize that many opportunities grow from conversations that do not begin with the subject of funding or money.

- **Improving the fundraising climate.** Publicity can be a great boost to your fundraising efforts. The more that IDAs are in the public eye the more likely potential funders will see your program as credible. Seize every opportunity to arrange newspaper or press coverage for your program and be aware that time spent informing the public or shaping policy will ultimately bolster your fundraising efforts.

- **Don't sell your program short.** Given the challenge of raising funds, the temptation to lower your program's funding targets is ever present. Lowering your funding targets, however, may backfire. Funders need to believe your program can *work*; that is, they need to believe that the numbers you present make sense and that your program will deliver what it promises. The overall amount of funding you seek must be determined by the needs of your program and not by the fund raising capacity you believe your organization possesses. For your program to have credibility with funders, match rates in particular must be determined by what will enable your participants to achieve their asset goals.

- **Positive Attitude.** Fundraising can be difficult work. Most people don't feel comfortable asking for money. However, remember that you have something of real value to offer potential funders: the opportunity to support an important program that will make a meaningful difference to people in your community.

Section 4.3: Management Information Systems (MIS) and Record Keeping

Good information is a valuable resource. When properly recorded, maintained and analyzed, it can be used to enhance the quality of your IDA program, attract funding resources and influence public policy. A management information system (MIS) is the ideal tool to track, manage, analyze and share information. A good MIS can be a valuable learning tool for practitioners, policymakers, foundations and other interested parties. It is critical that organizations build an MIS into their IDA programs from the start in order to ensure that they collect information in a standardized manner and that they budget for the cost of an MIS and related hardware.

Three Functions of an MIS

There are three main components involved in successful managing information: record keeping, data monitoring and data management:

1. **Record keeping** is important in *maintaining and tracking* participant and program information. In an IDA program, the key areas of record keeping include:

- participant background information (demographics, assets and liabilities);
- participant savings behavior (number and frequency of deposits and withdrawals);
- program design features;
- program funding resources; and
- program operating expenses.

2. **Data Monitoring** is important in *assessing* the data that are collected to determine the success of the program. A critical distinction between record keeping and monitoring is *who* uses the information. Not only do internal IDA staff monitor data, but funding sources, researchers, and policymakers will be interested in learning about the factors that impact a program's success. In an IDA program, the key areas of monitoring include:

- **Participant Information:** Tracking changes in participant demographics, net worth, and involvement in personal finance and financial skills education workshops
- **Account Management:** monitoring account activity and participant savings patterns.
- **Program Design:** tracking who funds an IDA program and the program design context within which all other information should be viewed.
- **Program Cost:** tracking expenses involved in an IDA program in order to determine the cost of offering IDAs.
- **Program Administration:** reporting on participant and program activities.

3. **Data Management** is essential in *integrating* record keeping and monitoring functions. The most efficient method for managing data is to integrate record keeping and monitoring into a *single system.* An MIS should be a user-friendly communication tool that links users of the system and the data collection system itself. In other words, the MIS should:

- be easy to use;
- employ standard data categories;
- function within "best practice" policy guidelines;
- provide meaningful reports; and
- integrate record keeping and monitoring functions.

Four Categories of MIS Functionality

An IDA MIS application should include four main modules: program information, participant information, reports and database administration.

1. Program Information

Program Design. An IDA MIS should collect data on program design criteria for two purposes: (1) to assist the organization in refining its program structure based on results to date, and (2) to assist evaluators in understanding what program designs work best and for whom. As a program design evolves, relevant information in an MIS may be updated periodically to chart changes over time and show their effects on program participation. Important design questions include those that describe:

- organizational structure and partnership arrangements;
- participant account structure;
- match structure and rates
- permissible asset uses;
- time or dollar limits on participant accounts; and
- personal finance and financial skills building curricula and workshop format.

Program Expenses. As with any program, administrators must keep track of the expenses associated with running the program. An IDA MIS should record both program expenditures and staff time (salaried, unsalaried, and affiliated partner hours) periodically in order to track program costs. In addition, recruitment or marketing activities for a given period should be tracked to determine the most effective recruitment methods.

Fundraising. Fundraising and reporting to funding sources are vital activities, especially given the importance of matching fund contributions to IDA programs. An IDA MIS should track each funding partner organization by name, organization type, and type and amount of contributions provided. It should also record what type of asset use each funding source allows and provide a method to link each funding partner to a specific participant based on the participant's intended asset use and program-specified match rate.

Use of Matching Funds. Matching fund contributions must be monitored to keep track of the availability of match funds — the amount of funds obligated at any given time and the amount of funds that have been allocated to asset purchases. An IDA MIS should track matching fund account balances, whether the monies are maintained by a third party or by an organization's financial institution partner(s).

2. Participant Information

Demographics. Record keeping and data monitoring go hand-in-hand with respect to collecting participant information. Tracking and monitoring demographics is important for both the program administrator and the evaluator in determining who is best served by the program. An IDA MIS should use standard categories to collect demographic data and provide a means to customize certain fields in order to specify unique participant groupings.

Net Worth. IDAs are founded on the belief that participants will increase their assets over time. To assess this potential, an IDA MIS should collect participant financial information (income, assets, and liabilities) periodically in order to determine changes over time in participants' net worth.

Financial Skills Building. By design, IDA programs include financial and economic education in addition to savings matches. In order to track participant involvement in financial curricula, an IDA MIS should include a "case notes" section that may be used to record the number of hours an account holder spends participating in each type of financial curricula, one-on-one counseling or forms of preparation for asset ownership.

Account Information. Tracking participant account information is a critical and complex task. This information is also the most basic evaluative data for determining savings success. Having accurate account information is important because it is the key determinant of savings success. Account information is comprised of the account structure, the periodic financial statements for each account, and qualified withdrawals for asset purchases. An IDA MIS should allow each account to be uniquely structured in terms of maximum annual savings, minimum periodic savings, asset use, associated funding partner(s) and match rate for each funding partner.

Monthly Account Statements. All participant IDAs will be held at financial institutions and it is important to let these institutions do what they do best: accounting and financial record keeping. However, since financial institutions typically *cannot* show matching contributions on a participant account statement, an IDA MIS should be capable of creating new participant account statements that reflect both account activity recorded by a financial institution and match contributions obligated as of the statement date. A flexible MIS will allow participant account information to be entered manually or via electronic data transfer file from a financial institution. An advanced IDA MIS will employ sophisticated behind-the-scenes logic to compute "matchable" closing balances, year-to-date values, and overall IDA savings for a statement period.

Qualified Withdrawals. When participants purchase assets, IDA programs must keep track of both the withdrawals from the participants' accounts and the withdrawals from matching funds. A user friendly IDA MIS should use a simple form to record both the portion of a qualified withdrawal that comes from a participant's contributions and the portion that comes from matching funds contributed by any funding partners associated with an account.

Participants' Program Exits. For both administrator and evaluator, it is important to know why a participant leaves an IDA program. An IDA MIS should provide a list of categories for describing the reason for the departure, ranging from successful program completion, to moving out of a program's geographical area, to a participant's death. A system should also provide a means for preventing inactive participants from being displayed with active participants.

3. Reports

An efficient MIS must be able to produce a wide range of reports for a variety of users, including reports for use by participants, program administrators, funding partners, and program evaluators. All data that have been entered into an MIS should be retrievable via reports, in an ordered fashion, filterable (obtaining subsets of data) by different variables. Five different categories of reports should be available:

Cumulative reports provide cumulative information about all participants' account activity and qualified withdrawals.

Participant information reports provide "static" information such as an individual participant's background information, address listings, mailing labels, account structure type, changes in match rate or asset use, and program exit reason.

Periodic participant information reports include participant account statements (individual and summary), discrepancies in savings activity and closed accounts.

Program information reports include program design description, funding partner information and summary participant demographics statistics.

Periodic program information reports include program expenditures, match fund account statements, and match fund activity with respect to specific participant accounts.

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CFED MIS Recommendation: "MIS IDA"

MIS IDA, A Management Information System (MIS) for Individual Development Accounts (IDAs) was developed in 1998 by the Center for Social Development (CSD) at Washington University in St. Louis, a research and policy organization that evaluates the effectiveness of IDA programs. In an attempt to provide a single, easy-to-use system for record keeping and evaluation, CSD staff coordinated with CFED and IDA practitioners to develop an MIS that integrates the record keeping, data monitoring, and data management functions of running IDA programs. MIS IDA was developed based on CSD's "best practice policy guidelines" and provides a foundation for administering and evaluating an IDA program in a standardized, efficient manner. MIS IDA is also designed to function smoothly on a widely available personal computer platform, Microsoft Office/Access 97® with Windows 95/98.

ⓘ ***See Appendix E for a detailed description of MIS IDA. Ordering information and a 60-day trial copy of MIS IDA are included on the IDA Handbook CD-ROM.***

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4. Database Administration

An MIS must be easy to use. In addition to the day-to-day tasks of data entry and reporting, an MIS must also be easy to manage. Typical database administration functions should be accessible at the touch of a button. For example, an administrator should be able to perform a periodic data backup or import data from a backup file simply by selecting a menu option.

A sophisticated MIS should also offer the ability to perform central data administration for multiple program sites. Individual programs should be uniquely identified and tracked by number within one database so data can be imported or exported by individual program site.

Finally, an MIS should be flexible and computer program-friendly so IDA programs can build companion database applications that link to the MIS or address features that are unique to an individual IDA program.

5 Financial Education & Training

5 Financial Education & Training

5 Financial Education & Training

IDA programs combine two powerful opportunities for families of limited means: a chance to save and a chance to learn. The personal finance and money management segment of IDA programs gives sponsoring organizations the opportunity to help families learn the financial management and planning skills necessary to make the most of their income, savings, and assets. An ability to effectively manage personal finances is particularly important for individuals and families with low to moderate incomes because they walk a fine line between fundamental needs and overestimating the reach of their income. In order to go beyond fulfilling basic needs to building assets, such families need knowledge of how to navigate our financial systems and avoid financial pitfalls. Increased awareness of financial matters can help participants fundamentally change their sense of self-sufficiency and ability to make the most of their resources and opportunities.

Section 5.1: Chapter Overview

Developing an effective financial skills building component requires planning and thought. Each community organization that administers IDAs is unique in terms of the goals it seeks to achieve, resources it may call upon, and its target population. These differences reduce the utility of a "one size fits all" financial education curriculum or program. Recognizing these issues, this chapter is designed to help IDA staff develop a successful financial skills-building program that matches both the goals of their organization and the needs of their target population. The information that follows is intended to help IDA staff select a curriculum and implementation method that fits their goals, available resources, and community needs by:

- raising important design and implementation questions that IDA staff should consider as they are developing an economic literacy program;
- presenting adult education and training principles that can be applied to improve training methods within an economic literacy component; and
- identifying the most effective and appropriate economic literacy curricula and materials currently available for both basic financial skills building and use-specific training.

The chapter addresses each of the above topics sequentially. Section 5.1, *Understanding Your Goals, Target Population, and Community Resources*, discusses crucial issues such as the goals of the financial skills building component, the needs and characteristics of the target population, and available resources for the economic literacy component. Section 5.2, *Developing a Training Method*, discusses how to present the financial skills building program and includes information about how adults learn, tips on delivery methods, and selecting a trainer.

Following these sections is a discussion on how to select a curriculum and materials for your financial skills building program. Among existing IDA programs, most have developed a basic personal finance component followed by specific training for homeownership, microenterprise, or education and training. The basic money management component is the primary focus of Section 5.3, which outlines the key elements of an effective curriculum and how to access existing resources and materials. A list of suggested topics, information about available curricula, and outlines of curricula used in existing IDA programs are provided. Sections 5.5 through 5.6 provide information on financial skills building as it relates to the specific uses for IDAs including homeownership, microenterprise, and education/training. These sections point IDA staff toward existing organizations and resources as potential providers for additional training.

IDA staff may choose to use this chapter in one of two ways. For those organizations without previous experience in financial education or counseling, this chapter provides a road map for developing a financial education component. For those organizations that already have a financial education program in place, this chapter will help staff to expand or adapt their efforts as appropriate for the IDA program.

IDA staff will find that designing an economic literacy component, like the rest of the IDA program, is not a linear process with specific sequential steps. Rather, the development process consists of several interrelated philosophical and practical issues that IDA staff may choose to tackle in varying sequence. The checklist below identifies the most important questions that need to be addressed by IDA staff.

Key Questions

- What are the goals of the financial skills building component for my organization's IDA program?
- What are the characteristics of the IDA target population and how do those characteristics affect the financial education component?
- Which organizations in my community can provide training, financial education materials, or technical assistance?
- What training methods will we use to teach the financial education component?
- Which curriculum and educational materials will we use to meet the goals of the financial education component and the needs of our target population
- How will we provide the additional training needed to help participants reach their goals in the areas of homeownership, microenterprise, or education and training?

Section 5.2: Goals, Target Population & Community Resources

Before diving into the details of a curriculum and training method, it is important to step back and consider a few key questions about your organization's IDA program. The following section discusses key issues that will provide the foundation for the rest of your financial skills building component. The following steps provide a logical progression for newcomers to IDAs. Each step represents a subsection within this section.

IDA staff may find it helpful to create a steering committee or focus group to consider these questions and provide guidance throughout the development of your organization's economic literacy component. Members of this steering might include potential partners, IDA staff, potential participants, and educators.

Three Steps to Laying a Foundation for Economic Literacy Training

1. **Setting Goals**
2. **Determining Population Characteristics**
3. **Assessing Resources & Partnering**

1st Step: Setting Goals

Developing a clear set of goals for the financial skills building component is the first step for creating a successful financial education program. The most important question to ask yourself is: *What set of skills and knowledge do you want participants to gain through the financial education component?* In most cases the primary goal is to give participants the knowledge and skills to budget and save for successful asset ownership. With respect to specific uses for IDAs, organizations may seek to help participants understand the home mortgage process, create a viable business plan, or assess their vocational aptitudes and explore appropriate education or training opportunities. Understanding our national economy, the market system, and participants' local economy are additional goals IDA staff may choose to include as part of an expanded financial skills building program.

The Goals Continuum

Financial Skills/Knowledge

▼

Savings Goals

▼

Asset Accumulation Goal

Before continuing, it is helpful to think of the different types of participant goals within the IDA program. While this chapter will focus primarily on those goals that apply directly to financial skills building, it is helpful to consider all IDA goals as one continuum as shown by the chart on the next page.

Financial knowledge and skills goals. By reaching this first set of goals, participants amass the information and skills needed to save and ultimately achieve their asset accumulation goal.

Savings goals. Participants must reach their monthly and total savings goals in order to achieve their asset accumulation goal. Goals for savings can be broken down into a per month dollar amount with an overall goal for a period of time (i.e. a year).

Asset Accumulation goals. With respect to specific uses for IDAs, organizations may seek to help participants purchase a home, build a business, or improve their earning capacity through education and savings.

Defining Goals for the Financial Skills Building Program

Newcomers to economic literacy training may not be sure what should be accomplished through a financial skills-building component or how to break down overall goals. When defining goals it may be helpful for organizations to ask themselves the following questions:

- ***What topics should participants learn about?*** For example, should participants learn about insurance or taxes, responsible use of credit, how financial institutions work, or laws that protect consumers?
- ***How much depth is required for each topic?*** If participants should learn about insurance and taxes, how much time will be spent on this issue?
- ***What personal financial management skills should participants have when they finish this program?*** For example, will participants have the knowledge needed to track income and expenses, develop a personal budget, and file a tax return?

Recommended Goals for the Financial Education Component

Although specific financial knowledge and skills objectives will vary from program to program, all financial skills building components should embrace the following learning goals for participants:

Understanding the Importance of Assets. To be successful, participants must understand how building and holding assets can positively affect their lives and financial well being.

Building Motivation and Self-Esteem. ADD Partners have found that many participants must first overcome feelings of general powerlessness before they can begin moving toward their selected goals.

Differentiating Between Wants and Needs. By developing this skill, participants will understand where they can cut spending in order to find money for savings.

Determining Net Worth. Participants need to develop an awareness of their own financial assets and liabilities in order to successfully move toward asset accumulation.

Knowing How to Budget. In order to save for their selected asset, participants must understand how to assess their spending, create a budget, and develop a system for managing their finances.

Repairing Credit and Reducing Debt. Bad credit and excessive debt are often the most significant barriers to asset accumulation.

In addition to these objectives, IDA staff may choose to expand their program to address other issues or use-specific goals such as:

Understanding the U.S. Economy. Some organizations cover basic economic issues to help participants understand macroeconomic forces that impact their lives and local communities.

Getting a Home Loan. IDA participants who are planning on saving for homeownership will have to restore any prior credit deficiencies and learn about the mortgage process.

2nd Step: Determining Participant Characteristics

When designing a financial skill building program, IDA staff should consider the needs and characteristics of the target population. The ten factors listed below identify potential issues that may affect participants' ability to succeed within an IDA program. You may identify other issues that are unique to your target population.

1. **Assess participants' literacy and numeracy level**
   When selecting a curriculum and instructor, it will be important to match the difficulty level to participants' math and reading skills. Literacy and numeracy levels are difficult to test directly without making participants uncomfortable, so instructors should use activities in the initial sessions that will allow them to observe behaviors that may be indicators of literacy and numeracy levels. For example, does a participant use her fingers to count or does she rely on others to fill out paperwork? Given that more than 20% of the United States population has a functional reading level at the 4th grade or lower. It is likely that many IDA participants will have low literacy and numeracy skills

2. **Identify participants with learning disabilities**
   Trainers should try to identify participants with math phobias or learning disabilities, so they may receive appropriate assistance. Instructors should try to provide additional assistance during individual counseling, or refer participants to outside organizations that can provide assistance.

3. **Identify the learning style of participants**
   Researchers such as Mary Marshall of Cooperative Extension Service have identified seven different ways people take in and retain information. Organizations should try to maximize the effectiveness of training by diversifying training methods to fit the learning style of participants.

4. **Assess the existing financial knowledge of participants**
   Do not assume that all participants start at a particular level of financial literacy. Some participants may have never entered a bank, but may still possess shrewd money management skills; other participants may have a college education, yet may know nothing about cash flow or credit repair. Ideally, savers should be able to plan on a yearlong horizon, but individuals who do not have a history of asset accumulation tend to operate on a shorter planning horizon, such as a two-week pay period.

5. **Assess language or cultural barriers**
   Programs working with recent immigrants or ESL clients need teachers who are not only proficient in the participants' first language, but also knowledgeable about pertinent cultural issues. For example, one ADD program discovered that a cultural prohibition against debt was undermining

some families' efforts to become homeowners. Economic literacy materials are available in many languages, and some organizations (such as the Central Texas Mutual Housing Association in Austin) have chosen to translate their own curriculum into other languages.

6. **Identify discriminatory barriers**
   It is likely that many IDA participants have experienced discrimination based on income or race. Instructors should openly discuss these issues with IDA groups and discuss how participants can protect themselves from illegal discrimination. For example, homeownership training might include information about laws that protect participants from discrimination in lending and organizations that provide assistance in addressing discriminatory behavior.

7. **Determine income level and sources of income**
   Appropriate economic literacy goals for IDA participants receiving public assistance recipients may differ from those for working poor families with incomes just below the Area Median Income. For many families receiving public assistance, published money management books and guides are not useful because they assume that readers have a fairly comfortable level of income for meeting basic needs.

8. **Identify participants' ages and life priorities**
   Different stages of our lives and the lives of our family members call for attention to different issues. For example, saving for education may be an important asset accumulation goal for youth, whereas older individuals may want to focus on purchasing a home or saving for retirement.

9. **Assess participants' childcare and transportation needs**
   Childcare needs or poor access to transportation may prevent participants from attending economic literacy sessions, and may require organizations to take additional steps to facilitate attendance. For example, the ADD site Alternatives Federal Credit Union responds to the needs of participants who are single parents by providing childcare during its classes. Organizations that are not able to provide these services directly might survey participants to determine their childcare and transportation needs and help them make alternate arrangements.

10. **Create a comfortable learning environment**
    Previous negative experiences with formal education may create barriers to learning for some participants. For example, participants may have left formal education early or have experienced racial discrimination or segregation in their previous educational experiences. Organizations should take care to provide a comfortable setting for participants. The location of meetings should also be chosen carefully to ensure that participants feel welcome and comfortable, both physically and psychologically.

Assessing Participant Characteristics

Many of the issues identified above can be effectively assessed through an interview or questionnaire. Some IDA programs have included questions in their program application, while others have incorporated a "pre-test" into their orientation sessions or first economic literacy workshop.

What levels of functional literacy can instructors expect from IDA participants?

A 1993 survey of functional adult literacy in America found that 23% of adults demonstrate only the most basic functional literacy skills. Individuals at Level I cannot generally perform arithmetic operations beyond simple addition or locate an intersection on a street map. The next level of functional literacy, Level II, includes 25 - 28% of the adult population. These sobering figures illuminate the education gap in America and suggest that the road to financial literacy and self-sufficiency may be especially difficult for many IDA participants. Of adults in the first category, researchers found that:

- 50% were living in poverty
- 66% did not complete high school
- 25% were immigrants
- 26% had physical, mental, or health problems

What does it mean to have Level I literacy skills?

21-23% of adults in America demonstrate skills in the lowest level of prose, document, and quantitative proficiencies (Level I). Adults at this literacy level are generally able to:

- total a bank deposit entry
- pull a selected piece of information out of a simple text
- locate the time of a meeting on a form

Adults at this literacy level are generally not able to:

- locate their eligibility from a table of benefits
- interpret instructions from an appliance warranty
- calculate the difference between two differently priced show tickets

What does it mean to have Level II literacy skills?

25 - 28% of adults in America demonstrate skills in the second level of literacy. In addition to all of the tasks mentioned above, adults at this level can also:

- locate a specific intersection on a street map
- calculate postage and fees for certified mail
- locate two features of information in a sports article

Adults at this literacy level are generally not able to:

- write a brief letter explaining an error made on a credit card bill
- use a bus schedule to determine the appropriate bus for a given set of conditions
- use a calculator to calculate the difference between a regular and sales price

Source: U.S. Department of Education, Center for Education Statistics. *Adult Literacy in America: A First Look at the Results of the National Adult Literacy Survey*. 1993

3rd Step: Assessing Resources and Partnering

When developing a financial skills program, IDA staff should assess both internal resources and other community resources. Those organizations already offering homeownership counseling or self-sufficiency training may have a staff member who is well qualified to offer training on these topics. If this is not the case, organizations should look to other resources in their community. IDA staff may choose to provide financial skills building through another organization that specializes in financial literacy and consumer education. Organizations should seek to build their economic literacy component using existing community resources where possible, rather than "reinventing the wheel." Although IDAs are relatively new, many government and nonprofit agencies have experience educating people about financial and self-sufficiency issues.

In many cases, collaboration between IDA programs and community organizations has been rewarding for both IDA participants and partnering organizations, but there are potential pitfalls with collaboration. The first element of a strong partnership is clear communication, and discussing the respective goals and interests of each organization is an important first step. The primary organization may wish to set up an advisory committee to help guide facilitators and provide feedback. Then, once a clear understanding has been reached, it is advisable to develop a written memorandum of understanding or contract between partnering organizations.

Two national networks, Consumer Credit Counseling Services (CCCS) and Cooperative Extension, have offices or representatives in most communities that may be suitable partners. CCCS is often a source of experienced trainers and counselors as well as curriculum supplements and materials. A number of IDA programs are currently partnering with CCCS to provide individual budget and credit counseling for participants. The Cooperative Extension network is also a significant provider of curricular materials, and can often provide skilled trainers as well. ADD programs have worked with local CCCS Cooperative Extension services to develop specific curricula, modify existing curricula, or provide group trainers or individual counselors. Be aware, however, that quality and capacity of local CCCS and Cooperative Extension offices can vary greatly.

Other potential resources for both trainers and curricular materials are local financial institutions, state housing finance agencies, affordable housing consortiums, boards of realtors, city governments, community colleges, or other nonprofit organizations. Many financial institutions have developed money management and homeownership materials as part of affordable lending programs while community colleges often offer courses for adults on budgeting, money management, purchasing a home, or building a business. Organizations that specialize in homeownership counseling or microenterprise training are ideal partners for any additional training that relates to participants' selected asset goals.

Section 5.3: Developing A Training Method

The teaching methods used to deliver IDA program personal finance and money management training will have a significant effect on participants' success in achieving their asset goals. Meaningful interaction within financial skills building sessions is critical to success for many participants. As a result, it is useful to consider first how one might go about reaching an IDA audience effectively.

Three IDA Training Method Considerations

1. **In what special or unique ways to do adults learn?**
2. **What are the keys to delivering effective training to IDA participants?**
3. **What key issues should IDA programs consider when selecting trainers?**

1st Consideration: Adult Learning

In what special or unique ways to adults learn?

When trying to understand how to connect with an IDA audience, you might begin by consulting existing research on adult learning patterns. It is clear that adults learn in very different ways from children. In her guide *Program Development: Extension's Processes for Educational Programming*, Mary G. Marshall writes that adults:

- **are product-oriented** – In other words, adults tend to look at learning as a means to a specific end rather than an end in and of itself. As a result, they "seek out structured learning experiences to cope with specific life-changing events."
- **seek practical applications** – The practical application of knowledge is a key motivator for adult learners; as a result, adults prefer courses or sessions with a singular focus that address a specific issues or problem.
- **feel uncomfortable in traditional class settings** – Classroom environments can feel particularly threatening to adults because they believe their knowledge, or lack of knowledge, will be on display before a group of their peers. This is particularly true for personal finance workshops, as many adults will feel self conscious about their level of money management knowledge.
- **value one-on-one contact** – Personal contact allows adults to voice questions that they do not feel comfortable asking in a group environment.
- **like to connect information with experiences** – Adults need to be able to associate new information with their existing knowledge. Connecting issues to adult's life experiences is one way to help them absorb and assimilate new information.

2nd Consideration: Effective Training Delivery

How can programs deliver effective training to IDA participants?

1. **Help participants digest new material by balancing information with activities.**
   The goal of creating a balance between process and information is to maximize participants' information retention. Traditional lectures may provide participants a great deal of information but will not give them much opportunity to process and apply this information. In addition, lectures only reach participants who learn by listening. When presenting materials it is important to use visual stimuli, such as slides and handouts, and to encourage questions and comments from participants. Class and home exercises are essential as they give students an opportunity to learn important skills and determine whether they have a complete understanding of the concepts and material. Instructors should also consider the use of group and small group exercises to engage participants.

2. **Use a variety of forums for interaction.**
   Group classes, one-on-one counseling, and peer support groups are examples of interactive forums. Given the needs of adult learners, instructors should seek to create a positive environment for participants by creating opportunities for personal interaction. To this end, it is appropriate to use a mix of group classes and individual counseling. Generally, organizations have used more formal class sessions coupled with individual counseling sessions to address personal issues and questions. Following these sessions, some organizations use peer support groups to provide a continuing forum for sharing and learning. Ideally, participants form self-directed peer support groups to explore additional economic literacy topics and support one another as they continue to save. Participants may take turns developing sessions on different topics, which will enhance their information research skills. For example, a session on buying a computer may involve a guest speaker and include *Consumer Reports* articles on purchasing a computer.

3. **Relate economic literacy topics to participants' experiences and knowledge.**
   When participants are able to relate what they are learning to their own lives, they will retain more and feel that they have something to contribute to class discussions. Several organizations have invited guest speakers who have conquered money barriers or achieved financial goals to discuss their experiences with participants. This opens the door to sharing personal experiences and knowledge. Trainers should also invite participation by asking questions and giving participants time to share their experiences. For example, a trainer might ask participants to discuss a recent spending decision within their groups.

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What is a Learning Style?

This term refers to the way that individuals absorb, process, and retain knowledge. Researchers have identified seven different learning styles. The following is a summary of these learning styles as described by Mary G. Marshall. Note that people may strongly prefer one or several of these styles.

Print learners – learn through reading and writing and generally like to read.

Aural learners – prefer to learn through listening.

Interactive learners – like to talk and discuss ideas with others. Small group discussions are appropriate for this group.

Visual learners – learn through observation and like visual stimuli, such as slide graphics and demonstrations.

Haptic learners – take in new information through their sense of touch.

Kinesthetic learners – have to move around while processing new information.

Olfactory learners – associate learned information with a particular smell or taste.

■

4. **Find the right schedule for sessions.**
While there is no prescribed formula for the length, intensity, and timing of workshops, some practices appear to be more effective than others. Many IDA practitioners suggest that financial skills building sessions should be scheduled throughout the time period that participants are beginning to save. Second, it is desirable for organizations to spread sessions out over time and divide topics into digestible chunks rather than presenting all materials in one or two day-long sessions. Several ADD programs hold basic economic literacy sessions once a month, as this fits participants' budgeting cycle. This schedule also allows families to try out budgeting and savings strategies for an entire month before their next session.

5. **Involve participants in many aspects of a program.**
Trainers should seek to involve participants in as many aspects of a training program as possible. For example, create a committee of participants to choose topics for financial skills building workshops. Other ways trainers might involve participants include:

   - **Planning for a graduation event or other fun group activity** – Completion of a financial skills-building course is a significant achievement that deserves recognition. Participants can plan best how they would like to celebrate this milestone.
   - **Special presentations** – Asking each participant to present an issue to their group that is of particular interest to him or her can develop participants' research and presentation skills while fostering a sense of community and camaraderie among group members.
   - **Continued participant feedback** – Trainers should encourage participant feedback after every session, and at other points throughout a program. One way to encourage feedback is to distribute written evaluation forms after each session.

3rd Consideration: Trainer Selection

What key issues should IDA programs consider when selecting trainers?

The personality and abilities of a trainer will impact participants significantly. As a result, IDA staff should carefully consider who will present and teach financial skills building workshops. Issues to consider include:

1. **Is an instructor familiar with a selected curriculum or desired session topics?**
Curricula can differ dramatically in terms of content and focus, so it is not safe to assume an instructor will necessarily be familiar with any curriculum or economic literacy topic. It may be necessary to involve different trainers or guest speakers for different subject matters.

2. **Can an instructor relate to participants and teach in a way that is helpful to them?**
By using examples that are geared toward their audience and exhibiting an understanding of participants' financial dilemmas, instructors may encourage participants to open up and share their own experiences. It is important for instructors to have a sound understanding of their own finances and be aware of their own money-related habits or values. In addition, it is important for instructors to relate to participants on both an individual and group level. Experience in working with a limited resource audience in classroom and one-on-one counseling is essential.

3. **Is an instructor enthusiastic about IDAs and participants' potential for building assets?**
Enthusiasm is essential to helping participants maintain a positive attitude about saving and asset building. If an instructor does not have confidence in the ability of participants to save and build assets, it will be difficult to help participants develop confidence in themselves.

4. **Will an instructor utilize group activities and adult learning principles?**
Given that participants may have had negative experiences in classroom settings, instructors should emphasize participant involvement and interaction in order to facilitate learning. Strictly traditional teaching methods — lectures and homework assignments — are not recommended for this subject matter and audience.

Examples of IDA Economic Literacy Program Structures

Alternatives Federal Credit Union (Ithaca, New York)

- Alternatives Federal Credit Union partners with Ithaca Housing Authority to provide their financial skills building component.
- The existing Family Self-Sufficiency classes were expanded to meet the needs of the IDA program.
- Sessions consist of eight two-hour classes that include group sessions, individual counseling, and peer support groups.
- Childcare is provided and classes are conveniently located in a community center.

Central Texas Mutual Housing Association (Austin, Texas)

- Training is provided in-house and the instructor will use the curriculum *Making Your Money Work* in addition to other materials.
- Classes are held once a month for six months.
- Participants meet as a group and for individual counseling.
- Instructors use flipcharts and games to involve participants.
- Classes are held in English and Spanish.

Central Vermont Community Action (Barre, Vermont)

- Instruction is currently provided in-house and the class uses *Dollar $ense*, a curriculum developed by CVCAC IDA staff. Participants must attend an eight-part workshop series and be open to continued involvement in a peer support group.
- Workshops take place every two weeks over four months.
- Participants begin saving prior to completing financial skills building training.

Shorebank (Chicago, Illinois)

- Shorebank partners with University of Illinois Cooperative Extension to provide instruction and uses a Cooperative Extension curriculum entitled *All My Money*.
- Participants meet for five sessions that will last two and a half to three hours.
- Individual counseling is offered, but not required.
- Participants receive a calculator and accordion folder to store handouts and papers.

Section 5.4: Personal Finance and Money Management Training

This section focuses on personal finance and money management training, and the core skills that participants should gain through an IDA basic financial education program.

Three

Money Management Training Program Considerations

1. **How can your program select or develop a money management curriculum?**
2. **What "core skills" should your program's money management training aim to foster?**
3. **Which specific topics should your program's money management training include?**

1st Consideration: Selecting a Curriculum

How can your program select or develop a money management curriculum?

Finding and selecting a curriculum that matches the goals of your program's personal finance training can be a daunting task. Numerous curricula that employ a variety of learning techniques and cover many topics are available. Economic and financial education materials run the gamut from one page fact sheets to extensive (and expensive) curricula that include directions for instructors, slides, handouts, and other materials. Published curricula often include group and individual activities that provide participants with hands-on experience. When considering a particular curriculum IDA staff should ask the following questions:

- Does this curriculum cover the topics your program considers most important?
- Will it help participants develop financial planning and decision-making skills?
- Is it appropriate for and applicable to your target population?
- Does it complement your program's ultimate objectives?

Fortunately, early IDA practitioners have experience to share about money management training. Most have used a money management curriculum focused on basic financial skills and knowledge followed by separate asset-specific training components (for homeownership, microenterprise, or education and training). In general, money management components are focused on imparting critical personal finance information and skills rather than covering a wide range of topics in a cursory fashion. The goal of this approach is to equip participants with the tools necessary for success in regular monthly saving.

A growing number of sponsoring organizations are developing their own money management curricula, including the Women's Self-Employment Project in Chicago, the Central Vermont Community Action Council in Barre, and the Women's Opportunity Resource Center in Philadelphia. Purdue Cooperative Extension has also developed a curriculum specifically for IDA programs.

If you want to tailor or expand a money management curriculum to better meet your program's needs, a wide range of supplemental financial education materials are available (free of charge) on the Internet. To access selected resources, visit the IDA Network website hosted by CFED (www.idanetwork.org). CFED is also working in partnership with the National Endowment for Financial Education to develop a Personal Finance and Money Management curriculum for the IDA field. This publication will be available in the fall of 2000 and will be distributed free of charge.

2nd Consideration: Core Skills

What "core skills" should your program's money management training aim to foster?

Before considering specific topics and curricula, it is important to identify the key skills that will enable families to achieve their financial goals both during and after IDA involvement. Ultimately, every personal finance training program should focus on helping participates develop three core skills:

1. **Accessing essential information**
   Many people are unaware of the resources available to help them make deliberate and informed financial choices. Knowing how to access valuable information, whether by asking pertinent questions or maintaining solid financial records, is a vital financial skill. Instructors can teach this skill by passing on informational resources to participants, giving record keeping tips, and by helping participants develop research skills to investigate any issue of interest or relevance to them.

2. **Making financial decisions**
   No amount of information from personal finance workshops will be helpful to participants unless they can process and use it to make sound decisions. Key exercises that can help individuals make sound financial decisions include: distinguishing needs from wants, calculating net worth, creating a household budget, and implementing a saving and spending plan.

3. **Assessing financial decisions**
   Reviewing and assessing financial decisions is an essential part of successful budgeting. Reviewing spending choices allows participants to assess the costs and benefits of decisions, determine how their budget or spending plan should be adjusted, and whether they need to consider different strategies to manage their finances.

These three skills are appropriate for all savings goals and extend beyond the realm of financial decision making.

3rd Consideration: Money Management Topics

Which specific topics should your program's money management training include?

Any money management curriculum should seek to demonstrate to participants the importance of financial planning and savings, and help them develop the concrete decision making skills required to design and implement a household budget. The following list includes the most important topic areas that should be covered in a basic money management curriculum.

1. Orientation to assets, asset building and personal finance training

- Goals of IDAs and money management training
- Methods used to reach these goals

- Decision-making skills
- Self-assessment of personal financial knowledge
- Opening a savings account
- Program participation requirements and other policies

2. Gathering Information Needed to Design a Household Budget

- Assessing assets and debt
- Expense tracking
- Record keeping

3. Budgeting and Financial Decision-Making

- Identifying values and goals
- Distinguishing between needs and wants
- Communicating about money matters
- Creating savings goals and spending plans

4. Implementing a Budget

- Developing strategies for reducing spending
- Developing strategies for increasing income
- Reconciling your budget and expenses
- Managing credit
- Obtaining a credit report
- Identifying helpful and harmful uses of credit
- Maintaining and repairing credit
- Taking steps to reduce debt
- Implications of health, disaster, and divorce debt

5. Banking Services

- Selecting a financial institution
- Understanding FDIC insurance
- Maintaining checking and savings accounts
- Reading bank statements and balancing a checkbook.
- Using electronic banking services (automated teller machines (ATMs), Electronic Fund Transfer (EFT), and on-line services)
- Understanding the basics of lending
- Selecting a credit card
- Considering sub-prime lending and debt consolidation loans

6. Consumer Rights and Responsibilities

- Understanding consumer behavior
- Laws that protect consumers
- Exercising your right to complain
- Population specific issues (delinquent child support payments, tenant/landlord issues, discrimination, etc.)
- Consumer scams (check cashing schemes, 1-900 numbers, rent to own, etc.)

7. Insurance

- Insurance theory and pooling risks
- Basic insurance concepts
- Types of insurance (health care, life, funeral, auto, renter's and property insurance)
- Assessing risks and selecting coverage
- Recognizing insurance scams and schemes

8. Taxes

- Understanding where Federal, state, and local taxes go and for what they are used
- Types of tax: income, sales, property, use, inventory
- Tax obligations: when, how and why to file
- Tax preparation and assistance
- Filing for the Earned Income Tax Credit (EITC) and Child Care Credit
- Avoiding pitfalls (underpayment, rapid refund costs, overestimating Advance EITC)
- Self employment tax issues (employee vs. employer FICA)
- Education tax credits

9. Life Events and their Impacts on Personal Finances

- Getting married
- Getting divorced
- Having a child
- Personal or family illness
- Buying a home
- Retirement
- Sending a child to college
- Losing your job/ experiencing a change in income

In addition to these issues, participants may have a specific interest in a number of other topics. Instructors should poll participants at regular intervals to determine these interests or needs. Optional topics might include the larger economy, economic justice issues, the community, or other financial topics such as purchasing a car or computer, preparing a will, or planning for retirement. Based on the family configurations and life experiences of participants, it may also be advisable to cover topics related to psychology and money or the use of money within relationships.

Section 5.5: Homeownership Education and Counseling

Homeownership training requires expertise in mortgage finance and banking practices, as well as knowledge about affordable housing programs in your community. Organizations without experience in homeownership education and counseling should develop partnerships with qualified organizations in their communities to provide this component of a financial skills- building program.

Homeownership Education and Counseling Considerations

1. **What types of homeownership training are currently being used in the United States?**
2. **How can your program find homeownership training partners?**
3. **What resources are available for homeownership training and counseling?**
4. **What topics should be included in a homeownership preparation curriculum?**

1st Consideration: Types of Homeownership Counseling

What types of homeownership training are currently in use?

Homeownership education is widely available throughout the United States in several forms:

- Homeownership counseling, generally offered by nonprofit organizations, provides assistance to individuals who are trying to save money to buy a home, learn about the mortgage application and approval process, or maintain a home after purchase.
- Homebuyer education, often offered by financial institutions, is focused primarily on teaching people how to go about the process of buying a home and is generally presented to groups of typical mortgage applicants likely to experience a fairly straightforward, traditional home buying process.
- Homeownership education typically combines the more comprehensive curriculum of homeownership counseling with the less individualized group training approach used in homebuyer education.

2nd Consideration: Partnership Options

What options are available for finding homeownership education partnerships?

A number of federal, state and local organizations specialize in homeownership education and counseling and have established curricula and classes. IDA programs should take advantage of the significant experience of such organizations and the courses they offer to train participants. Both the Department of Housing and Urban Development (HUD) and Fannie Mae have developed lists of qualified homeownership counseling/education organizations throughout the United States (see website references below.) In addition, the NeighborWorks network, supported by the Neighborhood Reinvestment Corporation, has over 100 members across the United States that specialize in homeownership training. Training may also be available through local Cooperative Extension offices, Consumer Credit Counseling Service (CCCS), state housing finance agencies, affordable housing coalitions and other community organizations.

3rd Consideration: Homeownership Resources

What resources are available for homeownership training and counseling?

The following resources can assist your program in providing homeownership training and counseling:

- **AHECI** (www.aheci.org) – This new national association is developing a training program and guide for homeownership counseling.
- **Consumer Credit Counseling Services** (www.nfcc.org) – CCCS is a significant provider of homeownership counseling in local communities and often sponsors workshops and individual counseling. Check with your local CCCS office to see if they offer this type of training.
- **Cornell Cooperative Extension** – Their Building a Home Buyers' Educational Program guide, provides information about how to set up training as well as suggestions for curriculum topics.
- **FannieMae Foundation** (www.fanniemaefoundation.org) – FannieMae Foundation offers a variety of homeownership education materials (in nine languages!) which are used by countless community organizations and homeownership counselors. Their website provides an abstract of these materials, ordering information, and information on their homebuyer education fairs. FannieMae Foundation also publishes:

  How to Buy a Home in the United States – includes teacher's guide and companion book for students. This guide is for ESL (English as a second language) students and covers the following topics: deciding to buy a home, credit reports, accumulating a downpayment, finding the right home, the mortgage process, home maintenance, and planning for monthly expenses in a new home.

  A Guide to Homeownership – This guide provides general information designed to assist potential homebuyers in obtaining affordable housing. It includes sections on preparing for homeownership, shopping for a home, obtaining a mortgage, closing, and life as a homeowner. It also includes worksheets for monthly expenses, available cash and assets, gross monthly income, calculating your mortgage amount, your housing priorities, mortgage terms, pre-application worksheet, settlement costs worksheet, and seasonal home maintenance schedule.

- **Freddie Mac** (www.freddiemac.com/function/community/index.htm#cdl) – Freddie Mac offers several free publications to lenders and community educators. *Discover Gold through Homeownership Education* is a two-part manual that describes best practices for homeownership education and counseling and a recommended core curriculum.
- **Homepath** (www.homepath.com) – Sponsored by Fannie Mae, Homepath offers information and resources directly to potential homebuyers and provides an extensive list of homeownership counseling organizations in each state. The site also includes a glossary of mortgage and financial terms.
- **Housing and Urban Development (HUD)'s Housing Counseling Clearinghouse** (www.hud-hcc.org) – HUD's housing counseling clearinghouse provides information on HUD-Approved Housing Counseling Agencies. One may search by state or alphabetically for housing counseling organizations.
- **NeighborWorks Network and the Neighborhood Reinvestment Corporation** (www.nw.org) – The NeighborWorks network, 184 organizations across the country working for neighborhood revitalization, is supported in part by the Neighborhood Reinvestment Corporation (NRC). Of these

organizations, 116 are part of NRC's Campaign for Homeownership and offer pre- and post-purchase homeownership counseling. The NeighborWorks website lists participating organizations. NRC offers additional resources through its training institute for homeownership counselors and its homeownership handbook entitled *Realizing the American Dream*, developed in conjunction with the American Bankers Association and the National Foundation for Consumer Credit.

- **The North Carolina Association of Housing Counselors** – This association has developed a comprehensive training program for housing counselors in partnership with The Enterprise Foundation, the Department of Housing and Urban Development (HUD), the Low Income Housing Development Corporation, and numerous other partners. In addition to training sessions, their guide *Housing Counseling Training for Housing Professionals* is also available for purchase.

4th Consideration: Suggested Homeownership Curriculum Topics

What topics should be included in a homeownership preparation curriculum?

The following topics may be appropriate components for your program's homeownership preparation training curriculum:

1. Self-Assessment

- To buy or not to buy: advantages and disadvantages of purchasing a home
- Can you afford a home: analysis of a your current income and expenses
- Affordable lending programs
- Location: urban, suburban, or rural
- Options in your area (condo, co-op, manufactured, single-family, duplex)

2. Getting Finances in Order

- Costs of homeownership — down payment, closing, moving, mortgage, taxes, insurance, and maintenance.
- Affordability — calculating your monthly housing payment
- Budgeting for homeownership
- Credit and credit reporting

3. The Mortgage Process

- Shopping for a mortgage
- Qualifying for a mortgage/lender requirements
- Applying for a mortgage
- Traditional lenders vs. mortgage companies
- Applying for a Mortgage Credit Certificate
- Alternative mortgage instruments
- Loan sales/secondary markets

- Public assistance (including deed/program restrictions)
- Closing on a home — what to expect
- Insurance
- Staying out of trouble — forbearance agreements

4. Physical

- Determining housing and space needs
- Location (schools, recreation, transportation, community resources)
- Layout/design preferences and considerations
- What to know about home inspections
- Environmental considerations (indoor air, water quality, lead-based paint)
- Assessing construction quality
- Home Warranties
- Professional Assistance
- Pros and cons of obtaining professional assistance
- Real estate brokers, agents, buyer's brokers
- Contractors and builders
- Financial service professionals
- Home inspectors
- Appraisers
- Attorneys

5. Maintenance

- Plumbing systems
- Electrical systems
- Heating systems
- Ventilation systems
- Energy efficiency
- Outside the house (yard/garden, siding, roof, foundation)
- Cleaning — floors, walls, windows, special care items
- Routine maintenance and repairs
- Home repairs — choosing and working with a repair person

6. Post-purchase Issues

- How to avoid default
- Planning your move
- The home as an investment — impact on taxes
- Fire and theft prevention
- Covenants and deed restrictions
- Home equity loans
- Refinancing
- Remodeling
- Homeowners' associations

7. Budgeting after a Home Purchase

- Improving your home over time and within your means
- The importance of savings for home expenses and repairs

Section 5.5: Microenterprise Training

IDA participants who plan to use savings to start or expand a small business need microenterprise training to increase their chances of long term success. Like homeownership counseling, there is growing expertise in the field of microenterprise training. Organizations without experience in this area should find a partner to provide participant training.

Three Categories of Microenterprise Training Resources

1. **Clearinghouses and trade associations**
2. **Local consulting organizations**
3. **Providers of educational materials and information**

1st Category: Clearinghouse and Trade Association Resources

- **The Association for Enterprise Opportunity (www.wwa.com/~aeo)** – AEO is the national association for microenterprise development organizations and has over 500 member organizations. AEO publishes a membership directory and offers train-the-trainer microenterprise instruction at regional conferences.
- **The Aspen Institute's Self-Employment Learning Project (www.aspeninst.org)** – SELP seeks to advance the field of microenterprise training and development. In conjunction with AEO, it published the *1996 Directory of U.S. Microenterprise Programs*. The directory provides detailed information about 328 microenterprise programs in the U.S.
- **The Entrepreneur Network for Women (www.network4women.com)** – The Entrepreneur Network for Women is sponsored by the Small Business Administration and Women's Business Centers across the country. It offers business training, consulting, mentoring, and networking opportunities for women. Their website includes an excellent resource center that provides information for startup and expanding businesses, as well as links to over 60 business centers for women across the country. Resources are also offered in Spanish.

2nd Category: Nationally Sponsored Organizations with Local Sections or Offices

- **Service Corp of Retired Executives (www.score.org)** – SCORE is a volunteer organization that offers free business counseling to small businesses. Their website offers email counseling, information on local offices, topical information, and other business resources.

3rd Category: Providers of Educational Materials, Training and Information

- **Small Business Administration (www.sba.gov)** – The SBA website is a great resource for small businesses. It has over 30 FAQ sheets, a business plan tutorial, information about small business loan programs, and links to local business assistance organizations.
- **National Business Education Association (www.nbea.org)** – The National Business Education Association is a professional organization devoted exclusively to serving individuals and groups engaged in instruction, administration, research, and dissemination of information for and about business. Its relevant work includes the development of business education standards for entrepreneurship and personal finance. The web site includes links to other business and financial education sites, as well as a list of publications for professional development.

Section 5.7: Curriculum Design for Education and Training IDA Uses

Financial skills building sessions for education and training should focus on developing a plan or career path to move participants toward greater job satisfaction and economic independence. Participants must first understand where they are now in terms of their skill level, experience, and earning power. Participants must then establish what level of income they need in order to be self-sufficient. Managing money and reducing bad debt should be combined with a strategic plan to increase earnings, enhance employment stability and increase employment options.

Two Considerations for Preparing Participants for Education

1. **How can your program create a curriculum to prepare participants for post-secondary education or job training?**
2. **What resources are available to help IDA participants pursue education or job training?**

1st Consideration: Creating a Curriculum

How can your program create a curriculum to prepare participants for higher education?

Of the three types of IDAs, preparing for education or training is the most difficult training to present from a standardized curriculum. This is due in part to the wide range of goals sponsoring organizations may have, goals that may depend on the characteristics of an organization's target population or local economy. The following list suggests topics that an IDA program might include in a training program designed to prepare participants for post-secondary education or job training:

- Education and training in the asset building continuum – getting a better job and pursuing career goals
- Assessment of personal skills and interests
- Career counseling – pay range, education required, availability of positions, long term potential
- Training and educational opportunities – community colleges, apprenticeships, and training centers
- Development of career goals that correspond to skills and interests
- Assessment of the costs, benefits, and feasibility of a participant's education or job training plan
- Development of a long-term plan over time for obtaining legitimate training linked to career goals.

2nd Consideration: Education and Training Resources

What resources are available to help IDA participants pursue education or job training?

Education and training resources are often available at the state level. State workforce development and welfare reform programs often offer job-related education and training. North Carolina, for example, has a particularly strong state-sponsored workforce development program. State agencies such as the Community College system, Department of Labor, Department of Public Instruction, and Department of Human Resources are all involved in workforce education and training. Community college systems are often concerned with education and training issues. It may be useful to do an informal survey of resources in your state.

You should also research **career counseling resources** in your local community. For example, each community college within the North Carolina Community College System (NCCCS) has a Human Resource Development (HRD) program. NCCCS describes HRD as "an instructional program that targets unemployed and underemployed adults." The core curriculum for HRD training is focused on the assessment and development of employability competency skills that are essential in the workplace. The core curriculum for HRD training includes, but is not limited to: traditional self-esteem and goal-setting activities; career exploration and planning of educational and employment opportunities; resume and application preparation; interviewing techniques; job referrals and placements; basic skills review; placement test review; and study skills. Your local community colleges may have similar programs.

For more information, check out the **USDA Workforce Preparation Web Page** (**http://solomon.reeusda.gov/wfp**/). This page contains links to other national education and training resources, as well as information for instructors on preparing citizens for job flexibility and effectiveness. Other useful resources include:

- **Council for Adult and Experiential Learning (www.cael.org)** – The Council for Adult and Experiential Learning seeks to expand lifelong learning opportunities for adults. They provide a number of education and training resources and services. Their website includes a list of publications.
- **ERIC Clearinghouse on Adult, Career, and Vocational Education (http://ericacve.org/)** – The ERIC Clearinghouse on Adult, Career, and Vocational Education, located at the Center on Education and Training for Employment at Ohio State University, is national clearinghouse funded by the federal government. ERIC/ACVE provides comprehensive information in the following areas: Adult and Continuing Education, career education (childhood through adult), and vocational and technical education including employment and training.

ⓘ ***For a more extensive listing of web resources for financial education and training, visit the IDA Network website at* www.idanetwork.org.**

6 Program Implementation

6 Program Implementation

6 Program Implementation

After creating a solid program infrastructure and instituting effective management policies, it's time to get the gears in motion to get your program off the ground. Based on the experiences of the thirteen ADD demonstration sites and other IDA programs, we have learned that recruiting program participants is one of the biggest challenges in program implementation. This chapter offers advice for recruiting and retaining program participants and addresses other key implementation issues, such as establishing qualified withdrawal policies and procedures and offering individual counseling to participants.

Section 6.1: Recruitment

As your organization begins to implement its IDA program, one of the first challenges you are likely to confront is participant recruitment. Because IDAs are a relatively new concept, it may not be easy to locate potential participants who both meet your program's participation requirements and are interested in saving for asset ownership. Programs should design a comprehensive recruitment strategy and be prepared to expend considerable time and resources "marketing" their program.

Recruitment Considerations

1. **What messages can your program use to attract participants?**
2. **Where in your community can potential participants be found?**
3. **What recruiting methods can your program use to reach potential participants?**
4. **How can partners aid your program in recruiting participants?**
5. **How should orientation sessions factor into your recruitment strategy?**

1st Consideration: Recruiting Messages

What messages can your program use to attract participants?

Attracting participants to your program is a process involving education and persuasion, somewhat analogous to marketing a product. In this case, the "product" is your IDA program and your "marketing campaign" must seek to explain to prospective participants what is rewarding about participating in an IDA program. IDA programs have found that a wide range of features can attract prospective participants, including:

- **Assets**. Your program is offering participants the chance to become homeowners, business owners or post-secondary school graduates. Each of these asset goals is an attractive item in its own right and should feature prominently in your marketing efforts.
- **Economic literacy / financial education**. Many prospective participants, accustomed to living on limited resources, have a keen appetite and appreciation for the power of financial knowledge, skills, and experience.
- **Your organization**. Some participants may be interested in your IDA program simply because your organization is the sponsor. If your agency's clients have a tremendous loyalty to, or trust of, your organization, highlight its role as IDA program sponsor.
- **Peer group interaction**. Many low-income people feel isolated and have limited opportunities for structured social interaction with people who face similar income-related challenges. Your program may wish to emphasize the peer group element of IDA work.
- **Saving money**. Some prospective participants will be attracted simply to the idea of saving. A surprising number of IDA participants report that they have struggled to save or thought about trying to save for a long time. IDA participation may offer a way to make a personal goal into a reality for some prospective participants.
- **Matching funds**. Although IDA programs offer much more than just matching funds, many people will be intrigued by the prospect of "free money." Highlighting the match funds component of IDAs may generate significant interest from some candidates.
- **Better future**. Many participants are painfully aware of their own hopelessness. Because IDAs promise a brighter future for participants and their families, your program may wish to stress that participants work to create a more secure and less stressful future.

2nd Consideration: Finding Participants

Where in your community can potential participants be found?

Any marketing effort must be built around its target audience. Although it would be nice to educate everyone in your community about IDAs, realistically your program will need to focus on reaching those people who are likely to qualify for and be interested in your program. As you consider where to find potential participants think in terms of what populations are likely to meet your participation requirements and have a demonstrated interest in asset development or economic self sufficiency, for example:

- **Current clients or staff of your organization**. Current clients of an IDA sponsoring organization are likely to trust the agency and understand some of what it takes to participate in a program that fosters economic self-sufficiency. Depending on an organization's mission, its existing clients are likely to have household incomes within the range of IDA eligibility. Also, don't overlook eligible staff at your organization who can be a valuable spokesperson for your program.
- **Clients of local homeownership and microenterprise programs**. People who have already expressed an interest in asset development are a natural fit for your IDA program. If possible, contact these prospective recruits directly. If your program can not access the names of individual clients, at least be certain posters and brochures are prominently displayed in the offices of local homeownership and microenterprise programs. Include an article in these organizations' newsletters or arrange to stop by a class to introduce the program.

- **Clients of other community-based anti-poverty organizations**. Since your IDA program must recruit low-income participants, people who have accessed poverty relief services may be good prospective participants. Where possible, try to obtain direct access to individual clients; otherwise, ensure posters are displayed and brochures are available in these organizations' offices and waiting rooms.

- **Community colleges and job training programs**. People who are pursuing a post-secondary education are likely to have great interest in your IDA program. Advertising in community college bulletins or sending a mailing to enrolled students would be good strategies.

- **Local employers**. Recruiting through local employers in lower-wage industries (such as retail or food service) is a great way to access large numbers of income eligible potential recruits who have earned income. Employers may be interested in promoting your program as a way to lower employee turnover and combat the chaotic life circumstances that adversely affect their employees' reliability.

- **Government welfare agencies**. No greater concentration of low-income families exists than the roster of TANF, Food Stamp, and Medicaid recipients. The ability to contact benefit recipients through a mailing or envelope stuffer would be ideal, but posters and brochures posted in local offices are also helpful. Outreach sessions with caseworkers are an excellent way to encourage individual referrals to your program.

- **Community Development Credit Unions**. This nationwide network of over 150 credit unions focused on the needs of low-income communities can provide a valuable connection to large numbers of low-income financial institution users. With their social service mission, CDCUs are likely to be open to statement envelope stuffers, advertisements in their newsletters, and other outreach efforts.

- **Churchgoers or members of religious organizations**. Churches and religious communities are likely to contain not just prospective IDA participants, but also people who are interested in helping those in need. Churchgoers may therefore help spread the word about your program and refer participants.

3rd Consideration: Recruiting Methods

What recruiting methods can your program use to reach potential participants?

Exactly *how* to reach prospective participants is one of the key challenges of recruiting. The list of ideas that follows can help you

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Creating a Better Climate for Recruiting

Five Ways to Impact Public Policy

IDA recruiting efforts do not take place in a vacuum; general awareness about asset-building and IDA programs will greatly affect your success in marketing your program to participants and funders. Sponsoring organizations should therefore foster public discussion about IDAs and seek to shape IDA-friendly public policy in your state and community. These efforts will increase the visibility of your program and decrease the amount of explanation required to recruit participants. Consider the following five ways your organization can promote the IDA concept:

1. **Create an Advisory Board**. An advisory board composed of social policy experts, your organization's staff and board members, community and business leaders, legislators, and members of the media will broaden the circle of people who are knowledgeable about, and interested in, IDAs.

2. **Contact State and Local Legislators**. By maintaining regular contact with state and local legislators (and, equally important, legislators' staffs), and keeping them informed of developments in your program, elected representatives will be more likely to introduce and support measures to promote asset accumulation in general, and, more particularly, sources of funding for your program.

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consider different recruiting options. Whichever methods you adopt, however, it is essential to be clear before you begin recruiting about the message you wish to convey. Most methods of recruiting work best when they present a straightforward message and an appeal for a simple, immediate action. For example, a poster might highlight your IDA program's match rate and urge interested parties to call your organization for more information or attend an upcoming orientation. Some proven recruiting methods to consider:

1. **Word of mouth**. Most people respond best to *personal* solicitations. One on one conversations and personal referrals are a particularly effective recruiting technique, especially among people who might be skeptical of other forms of advertising. Testimonials from current participants are a powerful source of program advertising, as prospective participants generally trust the recommendations of friends or peers.
2. **Newspapers and television news**. Local newspaper and television stories on your program will generate dozens of calls from potential participants. Introduce local reporters to IDAs and feed them frequent updates about your program. Ask the media to run public service announcements about your program, although this type of advertising sometimes attracts almost as many ineligible applicants as eligible prospects.
3. **Community outreach**. One of the most effective ways to recruit is by educating key community members who are in a position to spread the word about your program. Outreach sessions at program partners, community organizations, churches and local employers will help your program create a corps of advocates who can refer participants. Outreach presentations should explain how your program works, how to refer candidates, and should end with an appeal for each attendee to personally refer at least one prospect.
4. **Advertising through partners**. Organizations should advertise through local banks and other organizations with which they have established partnerships. Partner organizations can display posters, keep brochures on hand, offer space in their newsletters, and host participant orientation sessions.
5. **Advertising within your organization**. The staff of other programs within your agency are in an especially strong position to promote IDAs among your organization's existing clients. Prospective participants are likely to listen to the recommendations of program staff with whom they have already established a relationship.
6. **"Tabling" at community events**. Advertise your IDA program at community events, especially those that are likely to attract your target population. This method can increase your presence in the community while allowing potential participants to learn and ask questions about your program.

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Creating a Better Climate for Recruiting

Five Ways to Impact Public Policy

(continued)

3. **Promote Your IDA Program in the Media**. Radio public service announcements and articles in newspapers, newsletters, and other publications are an extremely effective means of sparking discussion about and building public support for your program and for asset building policies.
4. **Hold Public Meetings**. Organize symposiums and other conferences where IDAs can be publicized. Include IDA-related sessions in any conference or public meeting your organization already sponsors or hosts.
5. **Distribute Progress Reports**. Periodically, issue progress reports and press releases to advisory board members, community organizations, legislators, and the media about your program, its milestone achievements, and other IDA-related news.

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7. **Postcards and letters**. For programs that are targeting large numbers of enrollees, contacting potential participants by mail may be a good recruiting tool. Rather than attempting to explain your entire program, postcards or letters should primarily entice prospective participants to attend an orientation session where you can present more detailed information in person and interactively.

8. **Public access cable television**. Public access cable television may offer your program a way to appear on a local talk show or to be interviewed by a community reporter. In addition, local cable operators may air a brief video if your program can produce one.

9. **Envelop stuffers**. Envelope stuffers can be inserted into your organization's mailings or those of program partners. Some programs have been granted permission to include stuffers with TANF benefit checks. Local employers may be willing to include stuffers with employees' paychecks.

10. **Hosting informational dinners**. IDA programs have held pasta dinners and other events to get potential participants' attention about IDAs. While participants may attend for the food or opportunity to see friends, your program will have a chance to spread its message and take the names of interested people.

11. **Banners and buttons**. IDA programs have developed "teaser" banners and buttons with slogans like *"Triple Your Money"* in an effort to generate interest. By themselves these methods may not entice participants to enroll, but they will generate curiosity and interest from potential participants. Casual inquiries can be answered with more detailed information and an invitation to an upcoming orientation.

12. **Phone calls and door-to-door recruiting**. With the proliferation of telemarketing, direct marketing may be greeted with suspicion. However, phone calling and door-to-door recruiting may be effective with candidates that have already expressed an interest in your program. Door-to-door recruiting allows your program to target participants by neighborhood.

13. **Other ideas**. If your target population has access to the Internet, you may wish to consider e-mail messaging or Web advertisements. If your organization has a Web page, explore advertising your program on its home page. Other recruiting possibilities include promotional calendars, advertisement on grocery store cash register tapes, or pro-bono billboards.

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Essential Recruitment Tools

Assembling an Arsenal of Recruiting Tools

Regardless of the recruiting methods your program employs, certain basic recruiting materials can help your efforts. Consider producing the following versatile recruiting materials and keeping them "on the shelf" to be used as needed.

Program Brochure. A basic program brochure that explains how your program works, what benefits it offers, and how to apply is an essential recruiting tool. Although brochures alone may not compel people to apply to your program, they are perfect for mailing to potential participants who've expressed an interest in IDAs or to members of the media or the staffs of program partners. Brochures can also be distributed easily through your program partners.

Program Poster. Your program should have a standard-issue poster with attention-getting copy and graphics, and a prominent description of whom to contact for further information. You may wish to include "tear-offs" along the bottom of the poster. Posters should be larger than a standard sheet of paper and duplicated on attention-getting color paper. Posters are useful not only for posting throughout your community at large, but also for ensuring your program is prominently advertised within your organization and your partners. You may also be able to persuade local employers to display a poster in their employee lunch room or public bulletin boards. *continued next page*

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4th Consideration: Partnerships

How can partners aid your program in recruiting participants?

Most effective recruitment campaigns require both *direct recruiting*, marketing your program directly to prospective participants, and *indirect recruiting*, enlisting other organizations and individuals to spread the word about your program and refer potential participants. The best way to cultivate indirect recruiting is through your program partners, organizations that already have an investment in your program and understand how it works.

Consider the following tips for effectively employing program partners in your recruiting efforts:

- **Educate partners**. In order for the staff of your program partners to recruit participants, they must truly understand how your program functions and the philosophy of asset building. Arrange times to meet with and orient the staff of program partners about IDAs and the details of your program. Make sure your program partners have plenty of brochures, intake forms, flyers for the orientation, and any other materials that will assist in screening and referring potential IDA participants, such as eligibility guidelines.
- **Request personal referrals**. Partner staff members will be most effective at recruiting participants if they make individual referrals from among their current clients. As you orient the staff of a partner organization, ask each staff member to think of *individuals* they know or work with who would be good IDA candidates. Rather than relying on posters of mass mailings, ask that partner staff approach individuals personally and suggest exploring your IDA program.
- **Work with direct service staff**. As your program seeks to educate and orient partner organizations, make sure you speak with direct service staff, the people who work with the prospective IDA participants you are ultimately trying to reach. In the case of a state welfare department, for example, it would be best to talk with individual caseworkers. Frontline staff are the points of contact with the people you are targeting and can be the most important resource in your partner organization.
- **Establish a recruiting target**. Although partner organizations may want to help you recruit, it is easy for your program to slip off other peoples' priority lists. By securing an up-front agreement that a partner will refer a certain *number* of prospective participants, you will have a basis to evaluate the effectiveness of your partnership and will ensure both sides have clear expectations for the relationship.

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Essential Recruitment Tools

Assembling an Arsenal of Recruiting Tools

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Public Service Announcement (PSA). A thirty-second recorded audio announcement about your program can be distributed to radio stations throughout your community and played over the public address system at community events (county fairs, for example). Most radio stations set aside time for PSAs. Your program can access this airtime if you have a prepared PSA to distribute. Some radio stations may offer to help you record and duplicate a PSA.

Program Newsletter. A regularly published newsletter, specific to your IDA program, is a versatile marketing tool. A newsletter that typically includes a calendar of important events, for example, can be used to inform prospective participants of upcoming orientation dates. Newsletters can also be used to provide progress updates to everyone who's interested in your program, from members of the media to people who've inquired about becoming participants. Regular reminders about your program may be enough to motivate a reporter to write an extra newspaper article or a reluctant potential participant to attend an orientation. In addition, past editions of your newsletter form a library of articles about your program that can be drawn on to explain its features or successes.

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- **Follow-up regularly**. At the end of the day, recruiting participants is ultimately the concern of your organization. For that reason, regular follow up with partners will go a long way to ensure that they stay focused on *your* recruiting needs. You may even wish to establish a routine weekly or monthly check in.
- **Hold orientations at your partners' locations**. If your partners are doing a great job of describing your program to their clients and yet you are still not getting calls from candidates, consider holding orientations at your partners' locations. Clients of partner organizations are more likely to feel comfortable finding out about your program in surroundings that are familiar to them.

5th Consideration: Orientation Sessions

How should orientation sessions factor into your recruiting strategy?

In many ways, all your program's recruiting efforts lead up to and depend upon a first-rate orientation. Orientation sessions are often your first chance to address prospective participants in person and address their concerns or reservations. As such, orientations are the perfect opportunity to "seal the deal" with people that are still undecided about whether to apply. Successful orientation sessions both explain how your program works and present compelling reasons why potential enrollees would want to participate. As a part of orientations, programs should:

- **Explain the mechanics of your program**. As IDA program staff it is easy to forget that orientation audiences do not know how your program works. Be sure to describe how participants open IDAs, select an asset goal, attend personal finance workshops, participate in peer support, and ultimately use saving and match funds to acquire their chosen asset goal.
- **Show how asset ownership can affect participants' lives**. Many of the candidates attending your orientation may be ambivalent about asset ownership. After all, substantial assets do create significant responsibilities. Describe to prospective participants how asset ownership can be a path to greater stability, more autonomy, a higher income, and lasting wealth that can be passed on to children.
- **Describe personal finance training**. Personal finance training by itself can be an attractive program feature for many potential IDA participants. Your orientation audience should hear about the skills they will be offered in personal finance workshops and should understand it will be a fun, dynamic, and supportive experience. Some IDA programs have had prospective participants ask to join personal finance sessions even if they won't qualify to open an IDA!
- **Demonstrate how IDAs can become assets**. Prospective participants are likely to be skeptical that small monthly savings deposits can really lead to homeownership, business ownership, or a post-secondary diploma. Demonstrate that your program's match structure can lead to asset ownership. Show prospective enrollees how savings and match funds accumulate and explain how your program will help them leverage other community resources to make asset ownership feasible.
- **Provide testimonials**. Few orientation components are more persuasive or effective than the testimonial of a current IDA participant or a successful program graduate. When possible, ask current or former IDA holders to attend orientations, say a few words about their experiences and answer questions. Also be sure to talk about your program's successes to date — number of participants, total dollars saved — people like to join programs that appear to be firmly established and successful.

- **Introduce program partners**. Your partners add credibility to your IDA program. The more program partners prospective participants have heard of or have had prior experience with, the more established and legitimate your program will appear. If partner representatives are not available to attend orientations, make sure to distribute a handout with their names or talk about their role in your program.
- **Solicit questions and feedback**. Orientations are a chance to persuade potential enrollees that your IDA program is a worthwhile undertaking. In order to present genuinely persuasive arguments, you must tailor your presentation to each audience. By soliciting questions and feedback, you will be able to determine and address your audience's concerns and questions. Encourage orientation attendees to be candid with you; it will only help you better understand what might prevent them from applying.
- **Explain participation requirements & the "next step."** The ideal outcome of an orientation is that attendees want to apply to join your program. To achieve this outcome, you must make it clear and easy for your audience to move forward with an application. The orientation must therefore touch on your program's participation requirements and must describe what steps interested people should take to apply. Ideally, the "next step" should be as easy as completing an application on the spot.

Sample Orientation Materials

The following materials can be helpful when your program is presenting an orientation session to prospective participants:

- **Attendance Roster** – so your program will have a record of attendees and can add names to its mailing list; also, names can be used for follow up calls or postcards.
- **Savings Accumulation Example Handout** – shows how participants' monthly savings, match funds, and interest combine over time to create sizable IDAs and make asset ownership feasible.
- **Financial Institution Handout** – a listing of financial institution partner(s), the interest rate they offer IDA holders, and their locations in your community can demonstrate to participants that established institutions are key program sponsors.
- **Participation Applications** – having a supply of applications on hand to distribute will increase the number of orientation attendees to apply to participate; addressed return envelopes are helpful for those who won't submit applications right away.
- **Recent Newsletters** – featuring stories about your program's successes, participants' successes, and dates of other upcoming orientation sessions will encourage attendees to spread the word about your program.
- **Refreshments** – furnishing some treats will relax orientation attendees and invite them to be comfortable asking questions after your presentation.

Section 6.2: Retaining Program Participants

Because long-term saving on a low income is tremendously challenging, it should be no surprise that IDA programs must work very hard to retain program participants through to the point that they are ready to become asset owners. Participants leave programs two ways: they may choose to stop participating ("dropouts") or they may be asked to leave your program ("terminations"). This chapter will suggest approaches to minimize both types of participant departures and introduce tools your program can use to maximize participants' success rate. It may be helpful, however, for program staff to realize from the outset that even the most well designed and executed IDA programs will not retain 100% of their participants.

Three Participant Retention Considerations:

1. **How can your program prevent participants from dropping out?**
2. **What role can peer support groups play in reducing your program's dropout rate?**
3. **How can your program prevent and find alternatives to terminating participants?**

1st Consideration: Retention Factors

How can your program prevent participants from dropping out?

Participants may choose to leave your IDA program for a range of reasons; however, the most common reasons stem from feelings of hopelessness and failure, and are often precipitated by a crisis in the participant's life. If participants come to believe that they will no longer be able to continue saving, or that they have already failed as savers, they are likely to want to withdraw from your program as quickly as possible. Participants often sense the high hopes of IDA program staff and do not want to feel they have let anyone down.

Although your program clearly cannot control the events that affect participants' lives, the program design issues listed below can help participants weather crises and the debilitating feelings they may give rise to. Thoughtful program design and execution, therefore, can lower the number of participants who react to crises by leaving your program. Ideas for designing your program with an eye toward minimizing drop outs:

- **Plan regular contact with clients**. Regular contact between your program and participants is a way to combat isolation and discouragement. Regular newsletters, timely monthly account statements, and occasional "check in" phone calls will help participants feel supported and keep IDA goals in the forefront of their minds.
- **Make staff and resources accessible**. Many participants are inherently reluctant to seek out assistance or support, even when they feel overwhelmed or discouraged. Program staff should emphasize to participants that they are available to offer assistance and back up this promise with visible policies and practices. Staff might publicize "office hours," during which participants could stop by to talk, or distribute a list of community resources available to offer guidance to participants.

- **Create flexible but clear policies and procedures**. Clear policies and procedures remove uncertainty from the savings process. Participants need to know what is expected of them in terms of making monthly deposits, limiting emergency withdrawals, attending economic literacy training, and participating in peer support groups. At the same time, participants who sense they may be faltering should understand that your program is interested in, and committed to, helping them succeed. While programs should maintain clear policies, they must also stress to participants that they should discuss any crises or concerns with program staff before deciding to withdraw from your program.
- **Be aware of participants' expectations**. While many participants who drop out of your program will do so because they feel discouraged or overwhelmed, some participants may leave because the experience is not what they expected. There is little that programs can do to prevent these loses other than to explain clearly from the outset what IDA participation involves and to attempt to monitor participants' levels of satisfaction. Basic steps, like requesting participant evaluations of economic literacy trainings or making occasional "check in" phone calls, can also help.
- **Foster successful peer support groups.** Fellow IDA participants can be one of the most effective sources of support and "preventive medicine" for participants; IDA holders can support one another especially well because all participants appreciate the difficulties of living and saving on a low-income. More detail on peer support follows in the next section.

2nd Consideration: Peer Support Groups

What role can peer support groups play in reducing your program's dropout rate?

Active peer support groups are perhaps your program's greatest hope for preventing participants from withdrawing. Successful peer support groups can:

- offer participants support from other people who understand through firsthand experience the challenges of long-term saving on a low income.
- provide a mechanism for participants to meet regularly, refocus on their IDA goals, and reflect on their progress and setbacks.
- help participants develop strong personal ties with other savers and become invested in one another's success.
- be a valuable forum for resource sharing and joint problem solving.
- instill in participants a feeling of accountability to one another.
- ensure all participants receive adequate support despite limited staff resources.

Fostering successful peer support groups is not an easy undertaking. The following suggestions can help your program build strong peer groups:

1. **Plant the seed early**. Strong peer groups are built on the foundation of strong interpersonal connections between group members. Personal relationships of this type take time. The earlier your program introduces the idea of peer group formation, the earlier your participants will be motivated to get to know their fellow savers. Many IDA programs describe peer groups at program orientations and ask participants to begin thinking about peer group formation at the beginning of

personal finance training. You can also encourage outside peer interaction by using nametags at meetings and circulating a phone list for the group.

2. **Use personal finance training as a foundation for peer groups**. Most IDA programs have a perfect opportunity to foster peer support groups built into their basic program design: personal finance training. Interactive and discussion oriented personal finance workshops help participants get to know one another and feel invested in each other's success. In addition, ensuring that participants attend personal finance workshops in moderate sized (7 to 12 people) groups consisting of the same individual savers allows participants to from an identity as a group. If your program cannot present personal finance training in small groups, incorporate exercises in your program that draw together the same subgroups of participants. Finally, consider building exercises into workshops that introduce the idea of peer accountability and support. Ask group members to offer each other positive feedback on important accomplishments, like writing a spending plan or sending for credit reports. You might ask participants to report to one another their savings progress at personal finance meetings.

3. **Plan for peer group formation**. In order for participant peer groups to function, certain logistical issues must be addressed. A prospective peer group must decide where they will meet, how often, for how long, and with what agenda. Often these logistical details can make or break a fledgling peer group. Your program must create a forum for these issues to be addressed, whether during personal finance meetings or at some other time. Be prepared to help participants around stumbling blocks. If participants can not decide where to meet, for example, you may be able to draw on community connections or program partners to provide a meeting space. Make sure someone is chosen, at least initially, to take responsibility for the group and report back to your program staff. Consider offering to print up and distribute the group's decisions about meeting logistics.

4. **Stay in touch with peer groups**. While peer groups by definition manage themselves, your program should still stay in contact with groups and monitor their progress. Program staff should consider periodically attending group meeting or inviting groups to meet at your organization's offices. Staff may also want to develop a mechanism to follow groups' progress, such as asking groups to assign someone to call staff after each meeting or complete and send a reporting form. Your program might also offer to arrange guest speakers for peer groups that are interested.

3rd Consideration: Terminations

How can your program prevent and find alternatives to terminating participants?

Despite your program's best efforts, you will inevitably come across participants who are not meeting your program's minimum participation requirements. If your program weren't fundamentally designed to help participants, it might be easy to simply terminate those who stop meeting your program's expectations. Because IDA programs do exist to serve and help participants, terminations should be rare occurrence and a last resort option. The ideas that follow are designed to help programs minimize participant terminations and identify strategies that can create alternatives to termination:

- **Establish and publicize clear participation guidelines**. The first step to reducing terminations is to be clear about what is expected from participants. If your program requires that participants save a certain amount each month, make sure participants understand this requirement. Consider also at what point a participant's failure to meet your program's expectations should result in some type of action. How many months of deposits may a participant miss? What consequences will result from a missed deposit? While your program should not necessarily be rigid or appear focused on participant failure, participants deserve to have a clear understanding of what is expected. It is also important not to set standards too low, as many participants begin IDA saving motivated to live up to your program's expectations.

- **Closely monitor savings activity**. Few problems or crises that ultimately cause a participant to withdraw or be asked to leave your program arrive without warning signs. Programs that closely monitor their participants' monthly savings and withdrawal activity will be able to spot potential problems and address them early on. By following-up when a participant misses a withdrawal, for example, programs will have a chance to help that participant problem-solve through his or her crisis. If a participant misses a personal finance training class without calling ahead, trouble of some type may be brewing. Problems that are identified early can be addressed before they snowball into something that seems impossible to fix. Programs should bear in mind that monitoring savings activity is made much easier by a quality MIS.

- **Offer support and problem-solving help**. Most IDA participants want to be successful savers and long-term asset owners. Participants who fail to make monthly deposits, take excessive withdrawals, or miss personal finance workshops, for example, are probably struggling with some type of distracting problem or issue. When you identify participants who are at risk of being dropped from your program, assume that they need your assistance and support. As program staff, see yourself as a coach and supporter, and approach at-risk participants in a constructive manner, offering to help problem-solve or locate other helpful community resources.

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Monitoring Participant Deposits

Case Studies

Community Action Project of Tulsa County (CAPTC) monitors participants' account activity on a monthly basis, typically after they receive an electronic data transfer from their financial institution partner in the second week of every month. Participants who have missed one monthly savings deposit get a postcard, a note or a phone call. Those who have missed two months get a formal letter. Anyone who has missed more than two months of deposits will be asked to come in for a face to face meeting. CAPTC staff use these meetings to try to determine the root of the savings problem and help participants find ways to get back on track. Only after this progressive approach will CAPTC staff consider terminating a participant. *continued next page*

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- **Reserve judgement**. It can be difficult to watch participants falter without growing frustrated. It is essential to remember, however, that participants are saving for themselves, not for the sake of your program. Never take a participant's missteps personally or assume a posture of judgement; these reactions will almost certainly drive participants away. Allow your actions to be guided by practical considerations. Terminate participants, for example, only when it is clear they are not benefiting from continued participation or when continued participation will be harmful to other savers.

- **Explore all options**. Terminating participants is as easy as writing a letter and changing a data field in your program's MIS. Working with participants to keep them saving is the real challenge. Before losing any participant, be sure your program staff have had a face to face meeting and tried to determine the cause of the participants' savings difficulties. Consider alternatives to termination. Does the participant need to set less ambitious savings goals? Perhaps he or she needs a slight reprieve from saving in order to get back on track. Some programs offer "leaves of absence" for this reason. Perhaps program staff could offer to work closely with a faltering participant for a period of months, designing a budget together and monitoring his or her spending.

Even with the best support and guidance, some participants are bound to fall behind in their savings, miss workshops, or take unauthorized withdrawals. Programs can avoid excessive terminations by anticipating these events and designing procedures to handle them. For example:

- Participants who miss several consecutive deposits may need a chance to step back from saving and regroup. Consider developing a leave of absence policy as an alternative to termination. Your program could approve leaves of absence only for participants who agree to meet for one-on-one counseling or who have otherwise demonstrated a commitment to your program.
- Participants who appear committed to your program but are having trouble with regular personal finance training or peer support group attendance may have a scheduling, transportation, or childcare problem. Consider offering such participants a more flexible schedule. Would a later round of economic literacy workshops be more appropriate? Perhaps a different peer support group meets closer to their home or at a more convenient time.
- Participants who are taking unauthorized withdrawals may be encountering unanticipated expenses or be under pressure from family members to withdraw their savings. Your program might be able to recommend alternative resources to address financial emergencies or help a participant devise ways to resist family pressures. Such a participant might also need to consider less aggressive savings and asset goals.

Not every participant who is struggling will respond to the strategies listed here; however, by anticipating participants problems and designing policies that are less extreme than termination, your program will have a greater range of options when participants emerge who are having trouble meeting their goals.

Programs should also bear in mind that not all participants who enroll will be ready for long-term saving and asset ownership. Participants who do not respond to your program's best efforts to assist them may need to withdraw for the time being and consider long-term saving at some point in the future. In order to ensure that IDA participation is not a negative or debilitating experience for any participant, terminations and withdrawals should be approached with compassion and understanding. No participant should be made to feel badly for their inability to meet program requirements; rather, they should be encouraged to reconsider long-term saving and asset development at the point in the future when their life circumstances will allow them to be successful. Properly handled, participants who are leaving your program will not feel judged and will be able to explore an IDA program at some point in the future.

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Monitoring Participant Deposits

Case Studies

(continued)

Central Vermont Community Action Council (CVCAC) also monitors participants' account activity on a monthly basis. Savers who have missed a monthly deposit receive a friendly reminder letter, which includes an invitation to call program staff for personal assistance if they feel the need. Participants who have missed two consecutive months of deposits are mailed an application for a Leave of Absence. Leaves are approved for participants who agree to come in for a face to face meeting and to show program staff their spending plan or budget. Participants may be approved for up to a six-month leave, but may only return to the program and reclaim their matching funds, retroactively, by demonstrating three consecutive months of saving while on leave. Participants who fail to respond to the invitation to apply for a leave are mailed a certified letter informing them that their IDA account, which is held jointly by CVCAC and the participant, must be closed. If that does not prompt a participant to call program staff, CVCAC figures the participant must not be ready to take on the challenges of long-term saving.

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Section 6.3: Qualified Withdrawals

As the event that marks the beginning of asset ownership, qualified IDA withdrawals are the culmination of all IDA participants' and programs' efforts. When compared to the tremendous work of long-term saving and asset ownership preparation, it may be tempting to view qualified withdrawals as a straightforward procedure requiring no particular forethought. However, several important issues surrounding qualified withdrawals should be considered in advance of your program's first withdrawal request. It is also important to have qualified withdrawal procedure finalized well in advance of your first withdrawal request in order to maintain participants' confidence in your program and in their ability to access matching funds efficiently.

Because qualified withdrawals, by definition, will only occur when participants are ready to purchase asset goals, you may wish to begin thinking about qualified withdrawal policies and procedures by reviewing your program's permissible uses. All decisions related to qualified withdrawals should be made with an eye toward helping participants achieve their asset goals and preventing situations in which participants' savings or matching funds are not used most effectively toward participants' asset goals.

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Key Term Definitions

Qualified IDA Withdrawal: IDA withdrawals of participant savings and matching funds to be used toward a participant's asset goal. In order for a withdrawal to be qualified, it must be authorized and approved by program staff in advance.

Non-Qualified IDA Withdrawal (or Emergency Withdrawal): IDA withdrawals comprised only of participant savings and **not** intended to be used for a participant's asset goals. Most programs require participants to receive permission from program staff before taking a non-qualified withdrawal and all programs should strongly encourage participants to, at a minimum, *consult* staff before taking a withdrawal.

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Two Qualified Withdrawal Considerations:

1. **How can your program assess when a participant is ready to make a qualified withdrawal?**
2. **How can your program develop procedures for responding to qualified withdrawal requests?**

1st Consideration: Participant Readiness

How can your program determine when a participant is ready for a qualified withdrawal?

The first challenge related to qualified withdrawals is knowing when a participant is ready to make one. Although participants' own feelings of readiness are certainly an important factor, your program may wish to define its own guidelines for qualified withdrawals. As with all IDA program policies, qualified withdrawal guidelines should be clear and explained early and often throughout your program. Participants who understand what your program will expect before approving a withdrawal are far less likely to be caught off guard if you have concerns about a withdrawal request later on.

The overriding issue when considering whether to allow participants to "spend" their IDAs should be whether a participant has laid the groundwork necessary to ensure his or her IDA funds will result in sustainable asset ownership. This is a tricky issue. On the one hand, it may seem presumptuous for an IDA program to second-guess a participant's decision about how to spend his or her hard-earned savings. On the other hand, IDA programs have a responsibility to their participants and their funders to ensure the matching funds are used constructively, responsibly, and in a manner that has a reasonable prospect for success.

Although programs vary about how to define "constructive, responsible and likely to be successful," the ideas that follow may be helpful. Bear in mind that for the asset goals of homeownership or micro-p enterprise, participants must have completed personal finance training and thorough asset-specific training. The complex nature of these assets demands this intensive preparation.

Ideas for Qualified Withdrawal Policies

- **For homeownership**: Participants should have settled on a specific property they intend to purchase and be able to demonstrate to program staff that the property fulfills basic requirements (that it is habitable and doesn't harbor any clear financial landmines, such as lead paint or asbestos). Participants should have documentation that they are approved for any necessary financing. Additionally, programs may want participants to illustrate (with a spending plan perhaps) that they are able to support a projected monthly mortgage payment on their current income. Participants and staff may also review together the total costs of the transaction (closing costs, fees, essential repairs, moving expenses) and ensure adequate funds exist to cover all expenses.
- **For home repair**: Participants should have obtained a written cost estimate from at least one reputable contractor. Programs may also seek some evidence that a repair is necessary and/or will have a lasting effect on the value or utility of the property. If the cost of a repair is larger than a participant's IDA balance, programs may also want to ensure financing is arranged and that a participant can support the size of loan payments on his or her current income.
- **For microenterprise start-up**: Participants should have a written business plan explaining how IDA funds will be used and, when applicable, how financing will be obtained and used. Programs may wish to require a formal or informal cash-flow statement for at least the first six months of a new business. Evidence of market research is also highly desirable in order to ensure the business has a reasonable chance of success.
- **For use in an existing microenterprise**: Participants should have a written plan outlining how IDA funds will be spent and with what intended effect. Programs may wish to examine a business's recent financial records and statements in order to ensure IDA money will not just be consumed by overdue debts or other structural problems with the business.
- **For education**: Participants should have settled on a specific school or course of study and have evidence that they have been admitted to that school or program. Programs may wish to see a projection of the total cost of an entire course of study and the funding sources that a student will use to cover the total cost. In the case of participants who will be full-time students, programs may ask to see evidence that participants have made arrangements to support themselves while in school. Finally, programs may request that students research the earning potential or other long term benefits of a particular degree or educational program.

The following list of suggestions may help your program establish its own definition of participant qualified withdrawal readiness.

- **Ensure all participants establish an asset goal**. In order to increase the odds that participants are ready to withdraw their IDAs within any mandated timeframe (for example, by the date your project is scheduled to conclude), make certain all participants establish an IDA asset goal very soon after enrolling. Although some savers may be undecided about their goal, all participants should be asked to pick at least a provisional goal so they will begin the process of asset preparation with some focus and clarity. The subject of goal setting should be raised in personal finance training and revisited throughout a participant's involvement in your program.

- **Use program partners**. Many IDA programs feel ill equipped to "approve" participants' requests to withdraw IDA funds. IDA program staff may not be specialists in each of the permissible uses a program allows and may not feel qualified to judge a participant's readiness for asset ownership. Fortunately, program partners can help. For example, partners who specialize in microenterprise technical assistance, homeownership preparation counseling, or education planning can be asked to provide a "stamp of approval" for participant withdrawal requests. Not only will this help to ensure participants' asset plans are solid, it will also create an incentive for participants to explore the resources offered by program partners.

- **Consider the element of time**. Many IDA programs believe time is an important indicator of a participant's readiness for asset ownership. In addition to the time required to accumulate a significant IDA balance, absorbing personal finance training materials, undertaking asset-specific preparation, and allowing behavior changes to take root requires considerable time. Your program may wish to incorporate in its policies a minimum "threshold of participation," a certain number of months or years a participant must save before becoming eligible to request a qualified withdrawal.

- **Know whether your program is flexible**. Some IDA programs allow participants to save at their own pace and approach asset ownership when they feel ready. Other programs expect that participants will follow a prescribed pattern of saving in order to be prepared to use their IDAs by a certain date. Your participants deserve to know which approach your program will take. At the outset of your program, consider how flexible you can be and how your program will handle participants who are not ready to take a qualified withdrawal by the time your program is slated to conclude.

2nd Consideration: Qualified Withdrawal Procedures

How can your program design procedures for responding to qualified withdrawal requests?

Although, disbursing IDA funds should in theory be a straightforward element of running a program, in reality the process requires forethought and preparation. Your program should design a process for participants to request qualified withdrawals and for your organization to ensure funds will be disbursed efficiently. The following sample procedure can serve as a guide:

Sample Withdrawal Procedures

1. Participant submits a form and accompanying documentation to IDA program staff requesting a qualified withdrawal. The form should include the amount of qualified withdrawal request, the date by which the withdrawal should occur, and the vendor to whom payment should go.

2. IDA program staff reviews the request to see whether it fulfills a program's guidelines for qualified withdrawals for a particular permissible use. Request is approved or the participant is contacted for further discussion.

With a Separate Account Structure...

3. Participant writes a check or money order from his or her IDA directly to an asset vendor (e.g., mortgage company or educational institution).

4. Upon notification of receipt of that check, the sponsoring organization writes a check for matching funds or instructs the financial institution holding matching funds to write a check directly to an asset vendor.

(Alternatively, a participant could write a check to the sponsoring organization; in turn, the sponsoring organization would issue one check for a participants' savings and matching funds directly to an asset vendor.)

With a Joint Account Structure...

3. Participant and sponsoring organization write and cosign a check from participant's IDA directly to the asset-vendor (e.g. mortgage company or educational institution).

4. Sponsoring organization writes a check for matching funds or instructs the financial institution holding matching funds to write a check directly to an asset vendor.

While designing a withdrawal process, bear in mind the following issues:

- **IDA matching funds must only be issued to asset vendors**. A key part of IDA program design, and an effective check and balance against fraud or misuse, is that matching funds should only be released directly to asset-providing vendors, never to IDA participants. In some situations this will be a straightforward process, such as in the case of asset withdrawals for school tuition. In other cases, your program may need to think carefully about what qualifies as an asset vendor (qualified withdrawals used to cover business operating expenses, for instance).

- **IDAs for "future uses" should go to IRAs or Roth IRAs**. Some programs allow participants to save for their children's educations or for retirement. These "delayed" uses require special measures, as it would be inappropriate to disburse matching funds directly to a participant. In the case of future uses, programs should explore the use of special investment vehicles such as an IRA or Roth IRA, preferably held jointly by the participant and your organization. IRAs involve government-mandated penalties for early withdrawal and therefore offer some assurance that their contents will be used only for their intended purpose.

- **Recognize that withdrawals take time**. The process of verifying that a participant is ready to use his or her IDA and the actual movement of funds will take time. Participants should be prepared for this fact and understand that they must provide reasonable advance notice and documentation to program staff for all qualified withdrawals. Needless anxiety can result if participants have found "the perfect asset" (a home, for example) and yet your program has not had sufficient time to approve a qualified withdrawal.

- **Consider a waiting period**. Some IDA programs have observed that participants may make impulsive decisions regarding the use of their IDAs. A mandated waiting period might provide participants with a period of time in which to reconsider any spontaneous qualified withdrawal requests.

- **Decide what role your organization is prepared to play**. In some cases it may be necessary or desirable for your organization to handle participants' savings. If, for example, your program has a separate accounts structure with joint ownership, it might make sense for participants to sign over their savings to your organization so that one vendor check combining participant savings and match funds can be issued. However, your organization may not be comfortable acting in this capacity. You should consult with the chief financial officer of your organization and/or seek the advice of an attorney before designing a policy that allows or requires participants' funds to flow through your organization's hands.

Section 6.4: Individual Participant Counseling

Individual counseling provides IDA participants with an important asset development resource: the option to seek in depth technical assistance or emotional support as they feel the need. In addition to preparing participants for asset ownership through personal finance training, programs must be ready to offer participants individualized assistance and counseling. The complexity of acquiring IDA asset goals and the difficulties of long term saving demand that participants be given this opportunity.

Three Participant Counseling Considerations

1. **When is individual counseling most appropriate or helpful?**
2. **What phases of your program are likely to create a demand for individual counseling?**
3. **How can your program offer helpful and effectively counseling?**

1st Consideration: Counseling Availability

When is individual counseling most appropriate or helpful?

Counseling is an important tool to prepare participants for asset ownership; the more intimate setting of one on one meetings allows participants to discuss issues and ask questions which they might not feel comfortable addressing in the group setting of, for example, a personal finance workshop. In planning to make themselves available to participants, IDA program staff may find it helpful to review some examples of when one on one work is called for. Counseling is appropriate when:

- **Confidentiality is important**. Financial matters are intensely personal for many people, in some cases even more so for low-income people. Participants who want to, for example, discuss their credit report or review a spending plan may only feel comfortable in the relative safety and confidentiality of a one on one setting.
- **A topic is relevant only to one participant.** Throughout an IDA program participants will encounter subjects that are unique to their asset goal or situation. A participant who is working to launch a microenterprise, for example, may have detailed questions about his or her business plan that are best discussed individually.
- **A subject demands greater depth**. Although personal finance curricula typically cover a broad range of subjects, participants may be interested in more information about a particular topic. In depth discussions of any one subject are more effective and efficient in a one on one setting.
- **A more interactive exchange would be helpful.** Some questions raised by IDA participants can not be answered simply or without a staff person posing additional questions to a participant. Complex questions the answers to which are likely to vary from person to person are best addressed in an individual setting.
- **A participant needs emotional support**. As IDA participants cope with the challenges of saving on a low income, they may, at times, grow discouraged or overwhelmed. Participants who pose informational questions but appear to be in need of emotional encouragement or support should be met with privately, as a one on one meeting affords program staff a better opportunity to inquire about a participant's emotional well being.

2nd Consideration: Counseling Opportunities

What events or phases of your program will create a need for individual counseling?

IDA programs have found that certain events in participants' lives and phases in their IDA participation tend to create a need for individual counseling. One-on-one work is often called for when participants are, for example:

- **Working on their financial skills or planning**. Many participants find activities like designing a spending plan or tracking expenses difficult. Because these processes involve sensitive personal financial information, and because participants may lack confidence about their financial skills, IDA savers may seek personalized assistance when faced with these tasks.
- **Choosing asset goals**. Participants may begin IDA saving without settling on an asset goal. As they move through economic literacy and begin to understand the challenges of asset ownership, choosing an asset goal may become more difficult for participants. In a one on one setting, program staff can help participants weigh the pros and cons of different permissible uses and assess how an asset goal would fit into their lives.
- **Learning about their asset goals**. As they settle into long-term saving, participants will begin to fully research their chosen asset goals. This process is likely to generate detailed, asset-specific questions from participants. Program staff should be prepared to discuss these issues with participants when they are able and to refer participants to other agencies or resources when greater expertise is required.
- **Facing crises or emergencies**. Participants will inevitably encounter personal or financial crises as they save. Under the best circumstances, program staff will have an opportunity to work with participants to solve these emergencies in a way that protects participants' IDA savings. Staff should appreciate that crises often have *both* a personal and financial dimension and therefore require equal measures of empathy and problem-solving savvy.
- **Struggling with basic skills**. Not all participants enter economic literacy training with good reading and math skills. Although economic literacy can be designed to minimize reading and math use, in some cases participants will still require extra assistance in order to learn the skills and information they will need for asset ownership. This type of extra help can only be effectively undertaken in a one on one context.
- **Ready to make asset withdrawals**. Participants who have reached their savings goals and are ready to purchase assets will require extra attention and assistance. Launching a business, purchasing a home and enrolling in a job training or college program are all complex processes. Participants are likely to need advice and support. In addition, before releasing matching funds IDA programs should have a solid understanding of a participant's asset-related plans.

3rd Consideration: Counseling Quality

How can your program offer helpful and effectively counseling?

Counseling participants individually can be tremendously challenging for IDA program staff. Not only is one on one work with participants demanding, it is also markedly different from most of the responsibilities of running an IDA program. Remembering several key points should help program staff meet participants' needs:

- **Don't do participants' work for them**. Participants often seek individual attention when they are facing a crisis or are having trouble solving a problem. Staff may be tempted to focus primarily on solving a participant's problem; however, because IDA programs must prepare participants for long-term self-sufficiency, it is important for staff to help participants think through and resolve crises themselves. Program staff should see their themselves not as problem-solvers, but as sounding boards and facilitators.

- **Listen as much as you speak**. IDA participants often know how to resolve their problems or find answer to their questions but turn to staff for assistance because they lack self-confidence. In such situations, staff should be careful to ask about and listen to a participant's ideas and thought processes rather than rush to offer advice or input.

- **Be patient**. IDAs are long-term undertakings and most participants will have years to build relationships with program staff and develop into asset owners. Staff should not feel discouraged if participants who seek individual attention appear to have chronic problems or to be trapped in destructive patterns of behavior. Participants will change habits slowly and every one on one meeting with program staff will not produce concrete results.

- **Relate to participants as equals**. It is critical that program staff treat participants with respect and assume that they are able to mange their own affairs. Any suggestion that staff are uniquely able to solve participants' problems will undermine your program's efforts to create self-sufficient asset owners. Although staff should be a resource for participants, it is important staff assistance is not portrayed or perceived as more valuable than participants' efforts to manage their own affairs.

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Setting Counseling Limits

Although it is a natural and necessary role for IDA program staff to counsel participants individually, it is important for IDA programs and staff to know their limits. Staff should not be expected to substitute for mental health professionals or financial experts. Participants who are in need of professional counseling, personal financial advice or detailed asset-specific guidance should be referred to appropriate agency or community resources. Staff who are confronted with issues such as substance abuse or domestic violence may have a moral or legal obligation to refer participants to qualified resources. Although IDA programs certainly can not dictate that participants seek other services, programs should be careful not to become a substitute for more appropriate services. Because many IDA participants develop friendships with IDA staff, participants may feel comfortable turning to staff with a range of personal problems or issues. Without some forethought about the limits of IDA staff counseling, it may be difficult to decide when a participant should be encouraged to seek services from another, more appropriate, resource.

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Appendices

Appendices

Appendix A
Selected Publications on Asset-Building and IDAs

Selected Publications on Asset-Building and IDAs

October 1999

CFED **Publications** (To obtain copies of these publications, visit CFED's web site at **www.cfed.org** or call Freddye Wiggins at 202-408-9788.)

Ideas in Development, 1999. Author: Corporation for Enterprise Development. In celebration of CFED's twenty-year anniversary, this publication presents a collection of the most innovative and promising ideas that have emerged over the past two decades to foster greater social and economic development.

1999 Directory of State Individual Development Account Programs, 1999. Authors: Barbara Anderson and Brian Grossman. Provides one-page summaries for IDA programs in 26 states and the District of Columbia. Includes details on funding sources, annual operating budget, participant requirements, match rate, and type of education/training provided.

Building Assets for Stronger Families, Better Neighborhoods and Realizing the American Dream, 1998. Author(s): Ray Boshara, Edward Scanlon, and Deborah Page-Adams. Presents case studies of successful programs, the effects of asset holding on neighborhoods, families, and children, and practices and policies of IDAs. Includes a bibliography, state-by-state summaries of IDA policy initiatives, and suggestions for developing community-based IDA programs and key resources.

Enterprising Youth in America: A Review of Youth Enterprise Programs in the United States, 1998. Author(s): Brian Dabson and Barbara Kaufmann. Provides an overview of the youth enterprise field, examines some of the main characteristics of youth programs, and discusses connections with microenterprise development, youth development, and education. Also includes an inventory of youth enterprise programs.

Individual Development Account Program Design Handbook: A Step by Step Guide to Designing an IDA Program, 1998. Author(s): Tim Flacke, Brian Grossman, and Stephanie Jennings. Builds on the 1996 edition by presenting best practices and lessons learned from the American Dream Demonstration project and other demonstrations across the country.

20 Promising Ideas for Savings Facilitation and Mobilization, 1997. Author(s): Ray Boshara and Robert E. Friedman. A working paper based on the proceedings of a brainstorming meeting in New York City on July 1, 1997.

Realizing the Promise of Microenterprise Development in Welfare Reform, 1997. Author(s): Ray Boshara, Robert E. Friedman, and Barbara Anderson. Presents data on microenterprise development for welfare recipients, identifies key features of the new welfare law, examines its implications for microenterprise development, and provides recommendations for state welfare reform. Includes a bibliography of related readings, an appendix of resources for practitioners, and a listing of state welfare reform contacts.

Jobs by the Poor, For the Poor: Profiles of Community Innovation, 1996. Author(s): William Schweke, Victoria Lyall and Carl Rist. Profiles 21 programs and polices that demonstrate different, effective approaches to stimulating job and enterprise development, employment and economic independence for and by low income people.

Building the Ladder: Strategies for Economic Independence-Oriented Welfare Reform, 1996. Author(s): Carl Rist and Robert Friedman. Outlines six different strategies for advancing the economic and employment prospects of welfare recipients. Also, provides specific examples from states that have pioneered the strategies.

Universal Savings Accounts—A Route to National Economic Growth and Family Economic Security, 1996. Author(s): Corporation for Enterprise Development. Universal Savings Accounts (USAs) is a briefing book outlining the rationale, evidence, and means of achieving a universal increase in the amount of savings and productive investment.

CSD Publications
(To obtain copies of these publications, visit CSD's web site at* www.gwbweb.wustl.edu/users/csd *or call 314-935-7433.)

Implementation and Outcomes of an Individual Development Account Project, revised September 1999. Author: Dianne Lazear. St. Louis: Center for Social Development, Washington University.

Downpayments on the American Dream Policy Demonstration, startup evaluation report, 1999. Author: Michael Sherraden. St. Louis: Center for Social Development, Washington University.

The History and Status of Children's Allowances: Policy Backgroud for Children't Savings Accounts, 1998. Author(s): Jami Curley and Michael Sherraden. St. Louis: Center for Social Development, Washington University.

Individual Development Accounts: Creative Savings for Families and Communities, 1997. Author: Karne Edwards. St. Louis: Center for Social Development, Washington University.

How Can the Poor Save? Theory and Evidence on Savings in Low-Income Households, 1997. Author: Sondra Beverly. St. Louis: Center for Social Development, Washington University.

Education, Assets and Intergenerational Well Being: The case of female-headed families, 1996. Author(s): Li-Chen Cheng and Deborah Page-Adams. St.Louis: Center for Social Development, Washington University.

Homeownership and Its Impacts: Implications for Housing Policy for Low-Income Families, 1996. Author: Edward Scanlon. St.Louis: Center for Social Development, Washington University.

What We Know About Effects of Asset Holding: Implications for Research on Asset-Based Anti-Poverty Initiatives, 1996. Author(s): Deborah Page-Adams and Michael Sherraden. St. Louis: Center for Social Development, Washington University.

Effects of Assets on Attitudes and Behaviors: Advance Test of a Social Policy Proposal, 1995. Author(s): Gautam Yadama and Michael Sherraden. St. Louis: Center for Social Development, Washington University.

Assets and the Poor: A New American Welfare Policy, 1991. Author: Michael Sherraden. Armonk, NY: Sharpe.

B Appendix

Federal and State Policy Overview

Federal and State IDA Policy Overview

Ray Boshara, CFED
October 4, 1999

Introduction and Summary

The Corporation for Enterprise Development (CFED) aims to incorporate Individual Development Accounts (IDAs) and other asset-building tools for low-income people into the policy infrastructure of the United States. In short, CFED will work to make IDAs as widespread, popular and important as Individual Retirement Accounts. We also aim to launch a major Children's Savings Account policy initiative early next year. While an emphasis is being placed on the tax code – since that is where government supports asset-building for the non-poor through the home mortgage interest deduction, IRAs, capital gains treatment and other mechanisms – there is also work to be done to include IDAs in safety net (food stamps, TANF, SSI, etc.) and economic development programs (CDBG, SBA, etc.).

At the federal level, IDAs have already been incorporated into the TANF program; welfare-to-work funding following the 1996 welfare overhaul; a refugee resettlement program; the Bank Enterprise Awards program at Treasury; and the Community Reinvestment Act. Also, IDA-like accounts are being implemented through federally supported entities such as the Federal Home Loan Banks and through "Family Self-Sufficiency Accounts" at public housing authorities throughout the country. In addition, IDAs may be linked to federally defined and subsidized "Electronic Transfer Accounts," through which federal benefits, formerly delivered via check, are routed directly through financial institutions. Finally, and most significantly, account matching and (limited) administrative funds are now available to non-profit organizations through the 5-year, $125 million "Assets for Independence Demonstration Program" administered by the U.S. Department of Health and Human Services.

Currently, the most significant outstanding policy issue is the federal tax treatment of IDAs – specifically, whether or not the matching funds are taxable to the accountholder. CFED made great progress, but has not yet succeeded, in incorporating IDAs into the federal tax code. In April 1999, Congress included language in its FY 2000 Budget Resolution that recommends that IDAs be included in any tax bill under consideration. Building on that success, Senators Lieberman, Santorum, Abraham and others introduced the "Savings for Working Families Act" which proposes federal tax credits to financial institutions for setting-up and matching IDAs. While the stand-alone bill did not pass, most of its key provisions were incorporated into the Senate tax measure (S. 1429) that passed in early August. The House, however, did not include the IDA provisions in its tax bill and the provisions were subsequently dropped during Conference Committee consideration. Thus, IDAs were *not* included in the final tax bill that was subsequently vetoed by the President.

While direct IDA language did not survive Conference action, IDA-like provisions in the form of "Family Development Accounts" (FDAs) were included in the version passed by Congress and sent to the President. FDAs offer tax deductions for contributions for EITC recipients in 20 "Renewal Communities" and direct matching funds in five of those communities. While FDAs clearly advance the concept of asset-building and deserve support, CFED believes that the FDA provisions were (1) too limited in scope to reach a large number of low-income people and (2) too reliant on income tax deductions to provide sufficient incentives for savings. CFED thus hopes to modify the FDA provisions, in addition to securing the passage of a larger-scale IDA policy. For asset-building needs to be promoted in "Renewal Communities," through financial institutions, among non-profits, and elsewhere. Note that CFED and others are also working to formally link IDAs and the EITC, regardless of the outcome of FDAs.

Accordingly, while CFED is very pleased with the IDA tax credit provisions and their inclusion in a major tax bill, we are aiming to have another IDA bill introduced soon that includes *both* the financial institution tax credit as well as a tax credit designed to deliver federal IDA funds to credit unions, non-profit organizations, CDFIs and other key players in the delivery of IDAs. These elements are described in detail below under "CFED's IDA Tax Credit Proposal." Finally, CFED is hopeful that other tax proposals aimed at low- and moderate-income persons recently put forth by the Administration – namely the President's $38 billion per year "Universal Savings Account" retirement proposal and his $10 billion "New Market's Initiative" to spur corporate investments in depressed areas – incorporate IDA provisions. At this time, however, it is not clear what the Administrations priorities will be in a tax bill, should there be one.

State IDA policy, too, is moving along very well. As summarized below, all but seven states have IDA policy or IDA-related activities. Those states that do have supported IDAs in one of six ways, including direct appropriation of general funds, state tax credits for contributors to IDA programs, and the allocation of CDBG and TANF funds by states. Some states have, in cooperation with partnering non-profits, secured Assets for Independence funds, to either start or expand their statewide IDA programs. (For those advocates or policymakers seeking to design and fund state IDA policies, please see the "State IDA Policy Resource Guide," forthcoming from CFED and the Center for Social Development.)

The other main issue CFED and others are pursuing is revising asset limits in public assistance programs. Asset development involves both removing the barriers to asset accumulation as well as providing subsidies for asset accumulation. The subsidy component is being addressed through the policies described above. Removing the barriers (such as on savings and the value of an automobile) can be done in one of two ways: either the asset limits in each public assistance program can be set high enough to accommodate IDA savings and other assets, *or* legislation funding or affecting IDAs (TANF, Assets for Independence, tax credits) can stipulate that all IDA savings (accountholder and match) will be disregarded in determining eligibility for any federal (or state) program based on need. Both approaches, however, will need to be employed, since not all IDAs have federal or state funding. Also, the strategy will vary with each public assistance program, since some asset limits are set at the federal level (Food Stamps), others are set by each state (TANF), while others are set by the federal government but states can employ less or more restrictive methodologies in determining what counts toward the federal limit (Medicaid). CFED expects to issue a policy brief on this issue before the end of the year.

I. Federal IDA Policy Overview

A. *Policy Rationale*

The federal policy rationale for IDAs can be stated in five parts:

1. **Assets matter, and have been ignored in poverty policy.** Assets not only provide an economic cushion and enable people to make investments in their futures, assets also provide a psychological orientation – toward the future, about one's children, about having a stake in America – that income alone cannot provide. Also, IDAs address a big piece of the poverty puzzle – the savings and asset base of the poor – that has never been addressed before.

2. **IDAs will begin to address wealth gap, and bring people into the financial mainstream.** Low savings and wealth holdings are a problem for lower and middle-class households. Millions of Americans don't even have a transaction account. For example:
   - Ten percent of all families control two-thirds of the wealth.
   - One-half of all American households have less than $1,000 in net financial assets.
   - One-third of all American households (and 60 percent of African-American households) have zero or negative net financial assets.
   - Forty percent of all white children, and 73 percent of all African-American children, grow up in households with zero or negative net financial assets.
   - Depending on the data set used, 13 to 20 percent of all American households do not even have a transaction account (checking or savings account).

3. **Public policy plays a large role in determining levels of household wealth.** According to Michael Sherraden's analysis of Joint Tax Committee estimates of FY2000 tax expenditures, asset-building tax expenditures to individuals totaled $288.5 billion (for housing, retirement, and investments/business development). And these benefits are highly regressive: for example, households with incomes over $50,000 received 91 percent of homeownership tax expenditures and 93 percent of retirement tax expenditures in FY1998. At the same time, public policy has largely penalized low-income people who try to save and build assets, and tax-code incentives for those purposes are beyond their reach. CFED and others believe it is good social policy for government (through the tax code) to support homeownership, retirement, higher education, and business development. The challenge is to find ways to expand those sensible policies to reach low-income families willing to work and save.

4. **Individual Assets Accounts (like IDAs) make sense as an asset-building tool.** Sherraden, author of the 1991 *Assets and the Poor*, observes that social policy is moving toward individual assets accounts. Examples include IRAs, Roth IRAs, 401(k)s, 403(b)s, Super IRAs, Medical Savings Accounts, Individual Training Accounts, and proposals for Children's Savings Accounts. Increasingly, this is how government will deliver benefits to its citizens, since such accounts provide control and flexibility for families in a global, information-laden, flexible economy. IDAs will let low-income families participate in this social policy transformation, allowing them to earn public and private matches (provided they have worked and saved first) and then enabling them make the social policy choice – e.g., financing a home, a business, an education – that best suits them.

5. **IDAs are a good national investment, yielding over $5.00 for every $1.00 invested and improving the national savings rate.** CFED, using the best available data and experience, has estimated the returns of a

national investment in IDAs. The analysis assumes a national demonstration of 100,000 IDAs for low-income families (earning $25,000 a year or less), with a federal investment of $105 million to match the $186 million in resources from the savings of low-income families, private sources, and state and local governments. CFED calculates that this $291 million investment would produce net returns to the nation of $1.63 billion – more than five times the initial investment – in the form of new businesses, new jobs, increased earnings, higher tax receipts, and reduced welfare expenditures. IDAs – because they target people with little or no savings – will also improve the national savings rate.

B. Existing, Pending, and Proposed IDA Policies.

1. Existing federal IDA policies and resources

- **Personal Responsibility and Work Opportunity Reconciliation Act.** States are permitted to include IDAs in welfare reform plans and welfare-to-work grants. See P.L.104-193, section 404(h) and corresponding welfare-to-work provisions in the Balanced Budget Act of 1997 (P.L. 105-33). See www.thomas.loc.gov for details of public laws, and www.access.gpo.gov/su_docs/fedreg/frcont99.html for final TANF regulations regarding IDAs (Federal Register: Vol. 64, No. 69 Monday, April 12, 1999, under "Children and Families Administration.")
- **Assets for Independence Act**. Signed into law in October 1998 (P.L. 105-285). Administered by HHS (OCS), AFIA provides competitive grants to non-profit IDA programs. AFIA was authorized at $125 million over five years and received a $10 million appropriation in FY1999; CFED is seeking $25 million in FY2000. See www.acf.dhhs.gov/programs/ocs (under "funding opportunities") for the RFP and www.thomas.loc.gov for the public law.
- **Office of Refugee Resettlement (HHS).** Up to $5 million in competitive grants for states and non-profits to offer IDAs for low-income refugees. Grants expected to range between $200,000 and $800,000. IDAs can be used for homeownership, business capitalization, post-secondary education and training, a computer, or a car. See www.acf.dhhs.gov/programs/orr for details.
- **Community Reinvestment Act.** Per the draft May 3, 1999 ruling by the Federal Financial Institutions Examination Council, IDAs can be viewed as applying to a number of different CRA tests, depending on the types of services and products provided by banks and the extent of those services and products. Eligible activities include community development services, retail banking services, qualified investments, home mortgage loans, small business loans, consumer loans, or community development loans. Details on the CRA ruling can be found at http://www.ffiec.gov/cra/qa/newqa1.htm#new6
- **Bank Enterprise Awards (BEA) of the Community Development Financial Institutions (CDFI) Fund.** The BEA Program provides incentives for regulated financial institutions to engage in community development lending and investing through certified CDFIs. In the NOFA published on September 1, 1999, financial institutions receiving a BEA Award could receive up to $50 per IDA opened to help offset the administrative costs of IDAs. (A similar offset if provided for offering Electronic Transfer Accounts, or ETAs.) Details on the BEA program can be found at http://www.treas.gov/cdfi/beanofa2000.pdf
- **EFT' 99/ETA.** Financial institutions are permitted to link a savings product (such as an IDA) to the recently announced "Electronic Transaction Account." The ETA is an account designed by Treasury to ensure that individuals who are required to receive Federal payments electronically have access to an account at a reasonable cost and with the same consumer protections available to other account holders at the same financial institution. The EFT rule provides that any individual receiving

a Federal benefit, wage, salary, or retirement payment is eligible to open an ETA. See www.fms.treas.gov/eft for details.

- **Self-Sufficiency Escrow Accounts.** The Family Self-Sufficiency (FSS) Program was created in 1992 by Section 554 of the National Affordable Housing Act, which mandates that all public housing authorities who wish to expand their services must develop new self-sufficiency programs. When a family enters the FSS Program through a participating state or local non-profit agency, they agree to a set of contractual goals that cover a period of five years. If the participant is receiving Section 8 housing benefits, escrow accounts are created as part of these contracts. For example, if a family participates in a Section 8 housing program and rents an apartment for $500 per month, the family's payment is $100 per month and HUD's payment is $400 per month. If the family's income rises and they are able to pay $200 per month, HUD would continue to pay $400 and put the $100 difference into an escrow account. See http://www.cbpp.org/pubs/housing.htm under "Family Self-Sufficiency Program."

- **Affordable Housing Program (AHP) of the Federal Home Loan Banks***:* The AHP is designed to encourage members to undertake creative efforts and increase their participation in and support for efforts directed towards increasing the supply of affordable housing in the members' FHLBank District. In the "Homeownership Set-Aside Program" of the AHP, each FHLBank may set aside annually up to the greater of $1.5 million or 15 percent of its required AHP contribution to assist low- and moderate-income households to become homebuyers. Of the 12 FHLBanks throughout the U.S., two – in Seattle and New York – are running set-aside programs somewhat similar to IDAs. Each offers a 3:1 match of household savings. See http://www.fhfb.gov/ahp.htm for details.

2. Pending IDA policies/rulings

- **Tax treatment of IDAs.** Ruling expected soon on tax treatment of *Assets for Independence Act*-funded IDAs from Treasury; however, while the ruling is also expected to apply to non-AFI-funded IDAs, this will have to be further clarified. The ruling expected soon is likely to state that match money received is *not* taxable to the participant (as is will be treated as a "gift"). Note, finally, that any ruling issued by Treasury on this issue may be superseded by the tax treatment of IDAs as defined in the large tax bill currently under consideration in Congress, which includes IDAs. (See discussion of S.895 and S. 1429 below.)

3. Proposed IDA Policies

- **1999 Budget Resolution.** **"**Sense of Congress" language adopted in final 1999 Congressional Budget Resolution stating that "Congress should modify the Federal tax law to include provisions which encourage low-income workers and their families to save for buying a first home, starting a business, obtaining an education, or taking other measures to prepare for the future." IDAs specifically mentioned in findings. See www.thomas.loc.gov for details.
- **CFED IDA Tax Credit Proposal.** CFED proposes two tax credits: (1) a 90% federal tax credit for financial institutions to match IDAs up to $500 per year; and (2) a 50% federal tax credit for private sector contributions to IDA programs run by 501(c)(3)s, CDFIs, and credit unions; contributions can be used to support all aspects of running IDA programs – matches, financial education, evaluation, administration, etc. Legislation, based specifically on this proposal, has not yet been introduced in the House; S. 895 and S. 1429 in the Senate, however, incorporate many key elements of CFED's proposal. See www.cfed.org for details.
- **Savings for Working Families Act, S. 895.** Sponsored by Senators Lieberman, Santorum, Kerrey, Durbin, and Robb (original sponsors), introduced on 4-28-99; referred to Finance Committee. Provides 1:1 match, up to $300 per year per person, for IDAs. Banks reimbursed for both matches and up to $100 per IDA to support economic literacy and non-profits partners. This bill also proposes linking up IDAs and the EITC. S. 895 is based on CFED's IDA proposal, but some key differences remain. See www.thomas.loc.gov for details.
- **Taxpayer Relief Act of 1999, S. 1429.** Most of S. 895 has been incorporated into the Senate Finance Committee Chairman Bill Roth's (R-DE) tax bill, which passed the Senate in July 1999. Under this bill, up to $840 million in tax credits would be available to financial institutions that match on a 1-1 basis (up to $350 per year) the IDAs of low-income people; financial institutions would receive an 85% federal tax credit on matching funds provided. See www.senate.gov/~finance/fin-leg.htm. The exact provisions were also included the Democratic alternative offered by Senator Moynihan (amendment #1384, the "Tax and Public Debt Reduction Act of 1999). See www.thomas.loc.gov for details.
- **American Community Renewal Act, H.R. 815 (Watts-Talent)** Authorizes "Family Development Accounts" for EITC recipients in 100 Renewal Communities. Tax deductions given for contributions to FDAs; matches provided only in 5 "matching communities." H.R. 815 included in the House-passed tax bill (in July). See www.thomas.loc.gov for details.
- **President Clinton's Universal Savings Account proposal.** $38 billion per year for retirement-only USAs; supplement to Social Security. Combination of automatic and matching contributions on a sliding scale; USAs funded directly through individual tax returns. CFED urges that USAs be expanded for pre-retirement investments, that funding begin at birth; and that private sector entities (corporations, citizens, employers) be encouraged to contribute. See www.whitehouse.gov for details.

II. State IDA Policy Overview

According to data compiled through August 1999 by Karen Edwards of the Center for Social Development (CSD), at least 34 states have either authorized IDAs or have IDA legislation pending. Several more states have either started IDA pilot projects without legislation, or have savings programs similar to IDAs. Only seven states – Alaska, Idaho, Mississippi, Nevada, New Hampshire, North Dakota, and Wyoming – have no known state-related IDA policy activity. See www.gwbweb.wustl.edu/users/csd for further details on state IDA policy, as well as about current theory and research on IDAs. In general, the six IDA policy strategies that have emerged at the state level thus far include:

1. Direct Appropriation. In this approach, a state provides a direct appropriation for matching funds and distributes those funds to non-profits on a competitive basis; the IDA programs are then administered by the selected non-profits. Matching rates, eligibility criteria, and tax treatment are determined by the state. States may or may not provide funds for economic literacy, program administration, and evaluation. Most prominently, Indiana has allocated $6.5 million for its IDA program and Pennsylvania has allocated $1.25 million to its Family Savings Accounts program.

2. Tax Credit for Contributions to IDA Programs. States adopting this model provide a state tax credit (typically 50%, for private contributions to eligible community-based IDA programs). The total amount of credits (or deduction, in the case of Michigan) available from the state is usually capped. Thus far, Indiana, Maryland, Ohio, Missouri, and Oregon have adopted this approach.

3. Welfare Reform. As stipulated in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, at the discretion of states, IDAs may be established by or on behalf of an individual eligible for assistance under a state's TANF plan, and may be used for any or all of three purposes: post-secondary education, purchase a first home, or capitalize a business. As of August 1999, 28 states have included IDAs in their state TANF plans. A few states – Oklahoma, Texas, Virginia, Missouri, and Vermont have started, or are seriously considering, using federal TANF fund for IDAs.

4. Allocation of CDBG Funds. A few states, especially North Carolina, have elected to use their Community Development Block Grant funds for IDAs. While federal law does not specifically authorize the use of CDBG funds for IDAs, the law does not prohibit it either. In North Carolina, $250,000 in Small Cities CDBG funds are being used for a four-site, two-year homeownership IDA demonstration project.

5. Refundable Tax Credits to IDA Accountholders. To date, Iowa is the only state that has legislated this approach, which provides a 20 percent refundable tax credit on savings of up to $2,000 per year into an IDA. The *Iowa Family Investment Program* creates a five year demonstration of 10,000 IDAs, and the state has also just allocated $50,000 to provide $5,000 grants to organizations that start up IDA programs. Proposed IDA legislation in California also includes a refundable tax credit for 20% of an individual's deposit into an IDA.

6. Wage Subsidies Deposited into IDA-like Accounts. Nine states have legislated and enacted employment programs as part of "welfare reform" that use AFDC/TANF assistance to subsidize employment for welfare recipients. Three of the nine states (Massachusetts, Mississippi, and Oregon) are using an innovative approach to subsidize employees' wages and benefits, requiring employers to place $1 for every hour worked into restricted savings accounts for the employees' future education or job training.

Appendix C
Top Ten Lessons From IDA Practice

TOP TEN LESSONS FROM IDA PRACTICE

Brian Grossman, CFED
March 1999

Below is a list of ten of the most important lessons and design recommendations derived from the experiences of the 13 American Dream Demonstration (ADD) community sites during the first year and a half of the demonstration.

Lesson #1—Recruiting Participants is Tougher Than Expected
The first IDA programs thought that IDAs would sell themselves and that low-income families would line up to participate in an IDA program. On the contrary, our experience has been that recruitment is difficult, especially in a program's infancy. ADD programs recommend introducing IDAs first to your organization's current clients, who already know and trust you, and then using many marketing strategies. Be patient. Recruitment will pick up when word-of-mouth spreads to the family and friends of the first IDA participants.

Lesson #2— Include Potential Participants in Program Design Process
Successful IDA programs fit the needs of their participants. Asset costs vary from area to area. The amount that families can save and the level of training that they need fluctuate among target populations and may differ substantially. Thus, it is impossible to develop a one-size-fits all IDA program. To be clear on the expectations and requirements of each target group, include potential participants in the IDA design process.

Lesson #3—Choose Program Partners Carefully
Strong partnerships are important to IDA program success. Few, if any, community organizations have the capacity to run an IDA program without partnerships. Partners can hold accounts (financial institutions), offer training and counseling, refer participants, and even provide funding for your program. We have learned that the quality of partnerships is more important than their quantity. Look for partners that prioritize their IDA work by dedicating resources and staff time to it and then carefully define the parameters of your collaboration in writing.

Lesson #4—Plan for at Least One Full-Time Staff Person in Mid-Sized Programs
To run their IDA programs effectively, programs with more than 50 accounts need at least one, and probably two, full-time staff. Programs often supplement their staff with Americorps*VISTA members and other community volunteers. Additional staff may be necessary during the initial program phases of design and recruitment.

Lesson #5—Find Financial Institutions to Support IDA Program
The first IDA programs had difficulty finding financial institutions to hold IDA accounts, but this is no longer the case. Financial institutions have begun to recognize the value of participating in an IDA program—access to an entirely new market (customer base) and

possible Community Reinvestment Act credit. Ask financial institutions to provide IDA participants benefits such as no-fee and no-minimum balance accounts with high interest rates. Financial institutions have also contributed matching and operating funds to IDA programs.

Lesson #6—Carefully Design Money Management Classes
Provide classes on personal finances, credit repair, budgeting, savings, and investment. Require six to ten monthly classes and provide additional, optional classes. Hold classes during the time when participants are saving. Schedule classes at multiple times and provide child care and transportation.

Lesson #7—Closely Track and Support Participants' Progress
Case management with and frequent interaction among IDA participants is crucial to success. IDA programs should closely monitor participants' deposits and withdrawals and attendance at training and counseling meetings. To monitor participant progress, use an effective management information system.

Lesson #8—Systematically Evaluate Your IDA Program
Build an evaluation component into your IDA program. Evaluation helps you improve program design and provides data to attract new funders and to push IDA policy forward. The Center for Social Development's MIS IDA software was created by researchers and IDA experts to provide data to successfully run and evaluate your program.

Lesson #9—Use Your IDA Program to Promote IDA Policy
Not coincidentally, the sponsors of the Assets for Independence Act hailed from states with IDA programs. In addition, IDA policy efforts have been most successful in states where community-based IDA programs are already in place. Invite legislators to your program site to meet account holders and hear their testimonials. Of course the most effective advocates for IDS programs are the IDA participants themselves.

Lesson #10—Communicate Regularly with Other IDA Programs
We are still in the early years of IDA program development. The field is growing exponentially and our knowledge of what works best is also rapidly increasing. Use IDA resources that share best practices, such as the *IDA Program Design Handbook* and the IDA list-serve. Community organizations should frequently use the IDA Learning Network (http://idanetwork.org) to find the latest information on state and federal IDA policy and share what they are learning.

Appendix D

Key IDA Resources

9 Great Ways to Learn More About IDAs

1. Join the IDA Network (www.idanetwork.org)

- CFED hosts an interactive website that serves as a channel for hundreds of IDA practitioners, policy researchers, policymakers, IDA participants, financial institutions, trainers and educators, and community developers to communicate information about the rapidly growing IDA field. Features include state-by-state policy summaries; contact information for IDA programs, advocates, and financial institutions supporting IDAs across the U.S.; information and analysis on federal asset-building proposals; discussion forums; the latest research and evaluation data on IDAs; bulletin boards for events and job opportunities; a resource library; and more.

2. Read IDA Introductory Materials

- Background documents on IDAs are currently available online at www.cfed.org (click on "Individual Assets"), and at www.idanetwork.org.

- If you do not have Internet Access, contact Shawnice Blakes of CFED at 202-408-9788 x223 to request IDA introductory materials.

3. Visit the Center for Social Development at Washington University's Website

- The Center for Social Development, headed by Washington University Professor Michael Sherraden, hosts a website (http://gwbweb.wustl.edu/users/csd/) that provides the latest information on asset building and IDA research and state IDA policy. Visit this site regularly to obtain copies of research papers, newsletters, evaluation reports of the American Dream Demonstration project, and state policy updates.

- Information on MIS IDA, a database application designed to assist organizations running IDA programs with account management, program administration, and evaluation, is also available at CSD's site. MIS IDA enables standardized data collection to assess the effectiveness of IDA programs nationwide.

4. Join the IDA Network E-mail Discussion List

- The IDA Network discussion list facilitates the sharing of IDA program and policy information among nearly 500 subscribers (mostly IDA practitioners.)

- To subscribe, address an e-mail message to: idanetwork-subscribe@cfed.org; leave the subject line

5. Subscribe to *Assets: A Quarterly Update for Innovators*, CFED's IDA Newsletter

- Published four times a year, Assets provides the latest IDA news and information including IDA program summaries and updates, IDA participant stories, new IDA tools, state and federal policy updates and occasional best practice IDA design tips.
- Current and back issues of the newsletter will soon be available online at www.cfed.org and can also be obtained through CFED at 202-408-9788. To add your name to the Assets mailing list, send an e-mail request to linda@cfed.org with your name, organization name, and mailing address.

6. Contact IDA Programs and Practitioners in Your Area

- Ask existing IDA programs to discuss their IDA program development process. (To locate existing programs, visit www.idanetwork.org.)
- Speak with IDA practitioners about serving as advisors for your development process and probe possible partnerships.
- The IDA Network website contains state pages which will soon show all IDA programs, practitioners, policymakers, funders, and financial institutions participating in IDAs in your state.

7. Purchase the *IDA Program Design Handbook*

The *IDA Program Design Handbook* (December 1999) is a comprehensive "how to" manual to guide community organizations through the process of designing an IDA Program to meet the needs of a specific target population. There will be a CD-ROM version available this summer at a reduced rate. A new, update version will be available in print form later this year. Expected features include: a CD-ROM with model forms, sample documents, administrative spreadsheets, and other useful templates that can be personalized for your IDA program. *1999 version is sold out, but available on CD-ROM.* Call 202-408-9788 to order.

8. Purchase the *IDA State Policy Guide*

The *IDA State Policy Guide* (March 2001) is an informational tool kit for those interested in proposing IDA legislation at the state level, encouraging state agencies to develop and fund IDA programs, or simply learning more about developing public support for IDAs. It provides current information on legislative strategies, model language for IDA legislation, state and federal policy trends, and other valuable resources. The IDA State Policy Guide can be purchased from CFED for $50; to order a copy, visit our web site at www.cfed.org or call 202-408-9788.

9. Attend the Annual IDA Learning Conference

Held in the late winter/early spring of each year and sponsored by CFED, the IDA Learning Conference provides invaluable information for anyone developing, operating, or funding an IDA program; advocating for state IDA policy; or conducting research on IDA programs. The 2002 IDA Learning Conference will be jointly hosted April 4-6 in Windsor, Ontario, Canada and Detroit, Michigan, USA. Visit the IDAnetwork (www.idanetwork.org) for more details as the 2002 conference approaches.

E Appendix
MIS IDA Overview

Management Information System for Individual Development Accounts

WHAT IT IS: The Management Information System for Individual Development Accounts (MIS IDA) is a Microsoft® Access 97 database application designed to assist organizations running IDA programs with account management, program administration, and evaluation. Use of MIS IDA allows for standardized data collection to assess the effectiveness of IDA programs nationwide.

WHO IT'S FOR: Non-profit and other organizations running IDA programs.

WHAT IT CAN DO:

- Creates participant account statements (showing matched savings).
- Tracks participant savings behavior.
- Monitors program expenditures.
- Imports and links data from multiple sites.
- Electronically imports account information from financial institution.
- Integrates with other software.
- Answers key evaluation questions.
- And lots more!

SYSTEM REQUIREMENTS: Resides on a stand-alone or networked PC with Windows® 95, 98 or NT, and at least 24 megabytes of memory.

COST: Ranges from $1,200 (single version) to $1,900 (local area network version).

CONTACT INFORMATION:
Center for Social Development at Washington University
Phone: (314) 935-7067
E-mail: misida@gwbmail.wustl.edu
Website: http://gwbweb.wustl.edu/users/csd/

MANAGEMENT INFORMATION SYSTEM FOR INDIVIDUAL DEVELOPMENT ACCOUNTS

The Management Information System for Individual Development Accounts (MIS IDA) was developed by a team from the Center for Social Development (CSD) at Washington University in St. Louis. The software was designed to: 1) assist organizations with program administration, and 2) provide a standardized tool for monitoring IDA programs. MIS IDA is unique in that it features both program management and evaluation capacity within the same system.

MIS IDA takes full advantage of current information technology to raise management and evaluation to new levels of ease, comprehensiveness, and integration. Designed with an understanding of how IDA programs work, MIS IDA:

- Tracks participant account information and produces account statements, form letters, and mailing labels for individuals.
- Allows for entry of participant case notes.
- Features electronic data transfer for importing periodic account information from financial institutions.
- Tracks matching funds and projects match obligations from multiple funders.
- Provides an accounting system for program management.
- Combines participant and program information from multiple sites.
- Produces 27 standard management reports at the push of a button.
- Produces ad hoc reports as needed.
- Functions as a data collection tool, building an IDA database.
- Provides consistency in data collection across IDA programs.
- Features electronic data download for evaluation.

MIS IDA was developed using the Microsoft® ACCESS 97 relational database. This design assures versatility for ad hoc and systematic reporting, and for integration with other database systems, spreadsheets, and word-processing software.

MIS IDA is divided into two main areas of data collection and management: program information and participant information. Program information includes: 1) IDA program design characteristics, 2) periodic program budget, including staffing and administrative costs, 3) budget projections, 4) data on funding partners, and 5) match fund uses and account activity.

Participant information includes: 1) characteristics of participants, 2) IDA account structure, including match rate, maximum annual savings, and allowable IDA uses, 3) actual IDA account activity, and 4) matched withdrawals and uses of IDA funds for each participant.

F Appendix

Eligibility Guidelines for IDA Programs

1999 Federal Poverty Guidelines

(*for the 48 contiguous states and the District of Columbia*)

Number in Family	Gross Monthly Income*	Gross Yearly Income	Approximate Hourly Income**
1	$687	$8,240	$3.96
2	$922	$11,060	$5.32
3	$1,157	$13,880	$6.67
4	$1,392	$16,700	$8.03
5	$1,627	$19,520	$9.38
6	$1,862	$22,340	$10.74
7	$2,097	$25,160	$12.10
8	$2,332	$27,980	$13.45
Over 8 add for each child	+$235	+$2,820	$1.36

*Rounded to the nearest dollar.
**Assumes a full-time job for a full year (2080 hours)

Source: Oregon Center for Public Policy, 1999, http://www.ocpp.org/poverty.htm

Earned Income Tax Credit (EITC)

Q. What is the Earned Income Tax Credit (EITC)?

A. The EITC is a special credit for certain persons who work. The credit reduces the amount of tax you owe (if any) and is intended to offset some of the increases in living expenses and social security taxes.

Q. Who can claim the credit?

A. To claim the EITC for 1998 you must meet all of the following rules:

1. You must have earned income during the year.
2. Your earned income and modified Adjusted Gross Income (AGI) for 1998 must each be less than:
   $10,030 if you have no qualifying children, or;
   $26,473 if you have one qualifying child, or;
   $30,095 if you have more than one qualifying child.
3. Your investment income cannot be more than $2,300.
4. Your filing status can be any filing status EXCEPT married filing a separate return.
5. You cannot be a qualifying child of another person. If you are filing a joint return, neither you nor your spouse can be a qualifying child of another person.
6. Your qualifying child cannot be the qualifying child of another person whose modified AGI is more than yours.

Additionally, to claim the EITC, you must have a Social Security Number (SSN) for you, your spouse (if filing a joint return), and your qualifying child.

You **cannot** get the earned income tax credit if:

1. the SSN was issued solely for use in applying for or receiving federally funded benefits; or
2. instead of an SSN, you, your spouse, or your qualifying child has:
   - an Individual Taxpayer Identification Number (ITIN), which is issued to a noncitizen who cannot get an SSN, or;
   - an Adoption Taxpayer Identification Number (ATIN) which is issued for a child to adopting parents who cannot get an SSN for the child being adopted until the adoption is final.

For more information about eligibility and filing procedures for the EITC, visit the Internal Revenue Service's web site at **www.irs.gov/ind_info/eitc4.html**.

G Appendix

Questions & Answers on the Assets for Independence Act

Questions & Answers on the Assets for Independence Act (AFIA)

(Signed into law on 10-27-98; Public Law 105-285)

What's the purpose of AFIA?

To establish a national Individual Development Account (IDA) demonstration to determine how effective IDAs and "asset-building" strategies are in helping low-income people save, acquire productive assets, and achieve economic self-sufficiency. By setting up and helping to fund approximately 50,000 IDAs, the program will also help meet the vast and rapidly growing demand for IDAs in low-income communities.

What are IDAs?

IDAs are special savings accounts for low-income families restricted to first home purchase, higher education, or small business capitalization. IDAs are like 401(k)s, except that: (1) IDAs use matching deposits instead of tax breaks as the incentive to save; and (2) people saving in an IDA do so with the help of a non-profit organization that usually requires economic literacy training.

Why IDAs?

IDAs are necessary because low-income families need productive assets if they want to get out of poverty and achieve economic self-sufficiency. Right now, the federal government wisely and successfully helps the non-poor acquire assets (through, for example, the home mortgage interest deduction and tax breaks for saving for college) but doesn't have a way to help the poor acquire those assets. IDAs, through the use of matching deposits and supportive non-profit organizations, help low-income families acquire both the capital and skills they need to "jump start" their lives, set goals for their future, and integrate themselves into the mainstream economy. IDAs are not hand-outs; they are investments in people who are willing to first save and invest in themselves.

Who would administer the demonstration, and who could apply?

AFIA authorizes the Department of Health and Human Services to conduct a 5-year, $25 million per year IDA demonstration, through which grants will be made to non-profit organizations on a competitive basis. The federal grant cannot exceed the amount of non-federal matching funds raised for the demonstration, subject to a one million dollar cap. Non-profits may submit their applications in conjunction with a state, local, or tribal government entity, and may collaborate with financial institutions and for-profit community-development corporations to conduct the demonstration. Only those states that have made at least a $1 million commitment to a statewide IDA program as of the date of enactment (October 27, 1998) may apply directly to HHS to receive funding; all other states wishing to participate must collaborate with one or more non-profit organizations.

Must the non-profits raise money to receive federal funds?

Yes, and these non-federal funds may come from public or private sources (with a preference for funds raised from the private sector). The matching requirement is effectively 1-1 in that (1) the federal grant cannot exceed the amount of non-federal funds raised for the project, and (2) that federal funds deposited into an IDA will equal and cannot exceed the non-federal funds deposited into the IDA. Thus, the more matching funds the non-profit raises for deposits into the IDAs, the more matching funds that will be potentially available from the federal government for deposits into IDAs.

Are there restrictions on the federal demonstration money?
Yes. While the vast majority of the federal funds will be used for matching deposits into IDAs, the bill specifies that grantees are permitted to use up to 9.5 percent of the federal funds they receive for (1) economic literacy, (2) administration, and (3) monitoring and evaluation, with at least 2 percent of those funds to be used for purpose (3). Non-profit organizations will, therefore, need to raise a fair amount of the program and administrative costs, since over 90% of the federal money must be used for matching the savings of program participants.

Who's eligible to participate in the demonstration?
Those eligible for TANF are automatically eligible. Others must qualify for the EITC and meet a net worth test. (Household net worth cannot exceed $10,000 excluding the value of the primarily dwelling unit and one motor vehicle owned by the household.) From among those eligible, the non-profits will choose the "best suited" candidates.

What are the matching rates, and how will the matches work?
Only savings generated from earned income can be deposited into an IDA. Then, at least once every three months, a matching deposit will come from the non-federal funds, and this deposit will be between 50 cents and $4.00 for every $1 saved by the participant. Then the federal deposit will equal the non-federal one. For example, assuming the non-profit adopts a 2-1 matching rate, if a participant deposits a total of $100 over three months, then the non-federal match will be $200, and the federal match will be $200, for a total balance in the IDA of $500 (plus accrued interest). Federal funds in any one IDA cannot exceed $2,000 per individual (and $4,000 per household) over the course of the demonstration.

How is the asset actually acquired? And what about fraud?
The legislation states that IDAs funds must be paid directly to the asset provider (e.g., to the mortgage provider, university, or business capitalization account at a federally insured financial institution). In addition, written authorization from the non-profit is required for all withdrawals. Participants can access their own savings only on a narrowly defined "emergency" basis; participants can never access the matching funds (access to which is impossible if the non-profit maintains "parallel" accounts). Also, participants must be in the program for at least six months before any withdrawals are permitted. Finally, all IDAs must be held by a federally insured financial institution. Fraud or misuse of an IDA are, therefore, quite unlikely.

Will funds in an IDA count against eligibility for other programs?
Of the funds deposited into an IDA, only those funds deposited by the individual (including accrued interest) may be considered to be income, assets, or resources in determining eligibility for any federal program based on need. That is, the matching funds won't be considered in determining eligibility.

Will the demonstration be monitored and evaluated?
Yes. In addition to requiring regular reporting and monitoring, the legislation specifies that 2 percent of the appropriated funds be used for evaluation, and that the evaluation use a control group in at least one site.

Is funding available, and what is the timeframe for implementation?
The AFI demonstration received a $10 million appropriation for its first year, FY 1999, and President Clinton has called for $20 million in his FY2000 Budget. The Secretary of HHS announced the

availability of FY1999 funds on January 27, 1999. A "Q&A" clarifying the RFA and statute was released on March 27 by OCS. Applications must be submitted no later than April 27, 1999, and decisions will be made no later than July 27, 1999. The demonstration is slated to commence on August 27, 1999.

Questions?

Contact Richard Saul at HHS for further information (rsaul@acf.dhhs.gov or 202-401-9341). For a copy of the RFA and guidelines, visit OCS's website at www.acf.dhs.gov/programs/ocs and go to "funding opportunities." To view the public law, go to http://thomas.loc.gov.

H Appendix

Contents of Resource Guide CD ROM

IDA Program Design Handbook (4th Edition)
Content of Resource Guide CD ROM

File No.	File Type*	File Title	Description	File Format	Handbook Sections
1a	Guide / Informa-tion	IDA Selling Points	A list of IDA features and benefits formatted for IDA staff to distribute to prospective funders, partners or policy makers	MS Word '97	1.2, 4.2
2a	Worksheet	Feasibility Assessment Worksheet	A worksheet to help prospective IDA program sponsors assess the feasibility of offering an IDA program	MS Word '97	2.1
2b	Worksheet	Community Resource Inventory Worksheet	A worksheet to help IDA programs thoroughly & systematically identify IDA-relevant resources in their communities	MS Word '97	2.1, 2.6, 4.2, 5.1, 5.3, 6.1
2c	Guide / Informa-tion	How to Conduct a Focus Group	A reference sheet for IDA staff to use when arranging and conducting IDA focus groups	MS Word '97	2.1, 2.3, 3.1, 5.1
2d	Guide / Informa-tion	Feasibility Assessment FAQs	A list of suggested topics and questions for IDA staff conducting *feasibility assessment* focus groups	MS Word '97	2.1, 2.3
2e	Spread-sheet	Operating Budget Spreadsheet	A tool to help IDA programs forecast the amounts and timing of various program operating expenses	MS Excel '97	2.4, 4.1
2f	Spread-sheet	Match Budget (Projected)	A tool to help IDA programs estimate (during design) & forecast (once operating) how much match funding they might need	MS Excel '97	2.4, 4.1
2g	Spread-sheet	Match Budget (Maximum)	A tool to help IDA programs estimate (during design) & forecast (once operating) the *maximum* match funding they might need	MS Excel '97	2.4, 4.1
2h	Model Document	Community Organization Partnership Agreement	Example of an agreement IDA programs & community organizations might use to formalize & clarify their partnership	MS Word '97	2.6
2i	Model Document	Assets for Independence Act (AFIA), Non-Federal Funding Agreement	Example of "Non-Federal Share Agreement" cited in AFIA legislation	MS Word '97	2.6, 4.2
2j	Model Document	IDA Program Newsletter	Example of a newsletter programs might use to communicate with participants, partners, funders and potential funders	MS Word '97	2.6, 4.2, 6.1

File No.	File Type*	File Title	Description	File Format	Handbook Sections
2k	Model Document	Press Release	Example of a press release an IDA program might use to generate program coverage in local news media	MS Word '97	2.6, 4.2, 6.1
2l	Model Document	Outreach Program Overview Memo	Example of an overview memo IDA staff might distribute during an outreach session with the staff of a program partner	MS Word '97	2.6, 6.1
2m	Model Document	Event Attendance Sheet	Example of an event attendance sheet IDA staff might use at orientations, outreach sessions or personal finance workshops	MS Word '97	2.6, 6.1
2n	Model Document	Prospective Participant Frequently Asked Questions	Example of a handout IDA staff might use for prospective participant orientations, outreach sessions or funding solicitation	MS Word '97	2.6, 4.2, 6.1
2o	Model Document	Example of Savings & Match Accumulation Handout	Example of how participants' savings accumulate over time that IDA staff might use at an orientation or outreach session	MS Excel '97	2.6, 4.2, 6.1
2p	Model Document	Public Service Announcement	Example of scripts an IDA program might use to prepare 15 & 30 second radio stations Public Service Announcements	MS Word '97	2.6, 4.2, 6.1
3a	Worksheet	Program Design Checklist	A checklist of the most important program design decisions those involved in the design of an IDA program must address	MS Word '97	3.1
3b	Guide / Informa-tion	Program Design Focus Group Questions	A list of suggested topics and questions for IDA staff conducting *program design* focus groups	MS Word '97	3.1, 5.1
3d	Spread-sheet	Participant Model Budget Spreadsheet	A tool an IDA program can use to begin to realistically estimate the savings capacity of a designated target population	MS Excel '97	3.2
3e	Spread-sheet	Match Structure Spreadsheet	A spreadsheet to help IDA programs easily compute the total "price tag" (& necessary funding) of proposed match structures	MS Excel '97	3.2
3e	Worksheet	Asset Cost Research Worksheet	A worksheet to help IDA programs estimate the real costs of acquiring and owning potential asset goals in their communities	MS Word '97	3.1
3f	Model Document	Emergency Withdrawal Policies	Example of an IDA program's policy governing emergency withdrawals by IDA participants	MS Word '97	3.3, 6.2, 6.4
3g	Form	Emergency Withdrawal Request Form	A form for participants to submit to an IDA sponsoring organization when requesting an emergency withdrawal	MS Word '97	3.3, 6.2, 6.4

File No.	File Type*	File Title	Description	File Format	Handbook Sections
3h	Worksheet	Potential Financial Institution Comparison Worksheet	A worksheet IDA programs can use to catalog and compare offerings of different prospective financial institution partners	MS Word '97	3.5
3i	Form	Participant Financial Institution Release Form	A form by which participants authorize IDA programs & financial institutions to share information about their IDA activity	MS Word '97	3.5, 3.6
3j	Model Document	Financial Institution Partnership Agreement	Example of an agreement IDA programs & financial institutions might use to formalize and clarify their partnership relationship	MS Word '97	3.5
3k	Model Document	Assets for Independence Act (AFIA), Financial Institution Agreement	Example of ""Agreement with Qualified Financial Institution" cited in AFIA legislation	MS Word "97	3.5
3l	Model Document	IDA Opening Instructions (for Financial Institutions)	Example of a form letter IDA staff might give new participants to facilitate IDA opening at partner financial institutions	MS Word '97	3.5
3m	Model Document	IDA Opening Instructions (for Participants)	Example of instructions IDA staff might give new participants to explain how to open an IDA at a financial institution partner	MS Word '97	3.5
3n	Model Document	Qualified Withdrawal Notice to Financial Institution	Example of a notification an IDA program might use to request that a financial institution partner process a qualified withdrawal	MS Word '97	3.5, 6.3
3o	Model Document	Financial Institution RFP (Request for Proposal)	Example of an RFP an IDA program might use to recruit potential financial institution partners (and program funding)	MS Word '97	3.5, 4.2, 6.1
3p	Form	Participant Beneficiary Designation Form	A form for participants to designate an individual(s) to receive their IDA contents should they die before withdrawing all funds	MS Word '97	3.6, 4.2
3q	Form	Program Evaluation Release Form	A form for participants to indicate their understanding of & willingness to cooperate with, an IDA program evaluation	MS Word '97	3.6, 4.2

File No.	File Type*	File Title	Description	File Format	Handbook Sections
4a	Model Document	Funding Appeal Letter	Example of an appeal letter a program might use to solicit funding support from individual donors through the mail	MS Word '97	4.2
4b	Guide / Informa-tion	Guide for Writing IDA Funding Proposals	A checklist of the important elements to include in funding proposals & of ideas for how to locate potential funders	MS Word '97	4.2
4c-1	Form	Prospective Participant Application Form (all in one)	A form for IDA program applicants to provide program staff with basic information to assess applicant eligibility	MS Word '97	4.3, 6.1
4c-2	Form	Prospective Participant Application (two-part form)	A 2-part form for IDA Program applicants to provide program staff with basic information to assess applicant eligibility	MS Word "97	4.3, 6.1
4d	Form	Periodic Participant Update Form	A form for participants to provide IDA programs with periodic updates of their essential financial and personal information	MS Word '97	4.3
4e	Worksheet	Income Verification Worksheet	A worksheet IDA staff can use to verify a prospective participant's income level and sources of income	MS Word '97	4.3
5a	Model Document	Missed Workshop Notice	Example of a letter IDA program staff might use to follow up with participants who miss Personal Finance workshops	MS Word '97	5.3
5b	Model Document	Workshop Reminder Postcard	Example of a postcard IDA program staff might use to notify participants of upcoming workshops or meetings	MS Word '97	5.3
5c	Guide / Informa-tion	Personal Finance / Money Management Topics	A checklist of the most common and essential topics for personal finance and money management workshops	MS Word '97	5.3
5d	Form	Workshop Evaluation Form	A form for participants to provide feedback about the quality & utility of Personal Finance / Money Management workshops	MS Word '97	5.3
5e	Form	IDA Goal Statement	A form for participants to submit to program staff as a declaration of the asset for which they wish to save	MS Word '97	5.3, 6.2, 6.4
6a	Model Document	Recruiting & Publicity Poster	Example of a poster IDA program staff might use to publicize a program and recruit prospective participants	MS Word '97	6.1
6b	Model Document	Participant Letter of Agreement	Example of an agreement an IDA program might use to clarify a participant's and a program's respective responsibilities	MS Word '97	6.1, 6.2, 6.4

File No.	File Type*	File Title	Description	File Format	Handbook Sections
6c	Worksheet	Prospective Participant Questionnaire	A worksheet to guide IDA staff through the process of interviewing prospective program participants	MS Word '97	6.1
6d	Model Document	Missed Monthly Deposit Letter	Example of a letter IDA staff might use to follow up with participants who don't make a monthly savings deposit	MS Word '97	6.2, 6.4
6e	Model Document	Leave of Absence Policy	Example of a policy an IDA program might establish to govern participants' leaves of absence	MS Word '97	6.2, 6.4
6f	Form	Peer Support Group Meeting Form	A form for participant peer support groups to use as a way of structuring and documenting activities at their support meetings	MS Word '97	6.2
6g	Form	Leave of Absence Request Form	A form for participants to complete when requesting a leave of absence from IDA participation	MS Word '97	6.2, 6.4
6h	Model Document	Qualified Withdrawal Policy and Procedures	Example of a policy an IDA program might develop to govern qualified withdrawals and withdrawal request procedures	MS Word '97	6.3
6i	Form	Qualified Withdrawal Request Form	A form for participants to request a qualified withdrawal of IDA funds (withdrawals for asset purchases)	MS Word '97	6.3

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