Bob Taft
Governor

Jacqueline Romer-Sensky
Director

30 East Broad Street • Columbus, Ohio 43266-0423
www.state.oh.us/odjfs

August 10, 2000

OWF/PRC Guidance Letter No. 28

TO: Directors, County Departments of Job and Family Services
Directors, County Public Children Services Agencies
Directors, Child Support Enforcement Agencies

FROM: Jacqueline Romer-Sensky, Director

SUBJECT: Individual Development Accounts (IDAs)

This letter provides guidance information on implementing an Individual Development Account program based upon the provisions contained in applicable federal and state laws, rules, and regulations.

Ohio's welfare reform laws allow low-income individuals whose incomes are at or below 150 percent of the federal poverty level to save earned income, which may be matched $2 to $1, for an education, purchase of a house, or business start up. Matching funds may be provided by corporations, individuals, other entities, or the County Departments of Job and Family Services (CDJFS).

IDA program requirements limit participant contributions to the IDA savings to earned income. The funds in the IDA account are disregarded in determining eligibility for, or the amount of, assistance in any federal means-tested program. In addition, the match money is considered as "non-assistance" per federal regulations. Refer to OWF/PRC Guidance Letter #13 for additional information regarding "non-assistance" services.

This guidance is intended to provide resource information to county departments of job and family services on developing and implementing IDA programs within the parameters of state and federal requirements; to provide valuable resource information on IDA programs currently operating in Ohio and around the nation; and to provide available research data on IDA programs.

Background

In 1996 Ohio embarked upon an aggressive effort to reform its welfare program from a system of issuing benefit checks to one of helping cash assistance recipients to earn a paycheck. The new system has seen dramatic reductions in the cash assistance caseloads. While many families have left public assistance, some families still need some form of assistance to move out of poverty. "One way of helping low income families is to invest in a system that allows them to build savings and

assets. The rationale is that households escape poverty, not through spending and consuming, but through savings and investments. When people accumulate assets, their thinking and behavior changes. They are likely to take care of what they have, plan for the future, develop their personal capabilities, and participate in the community."[1]

Policies that promote asset accumulation through savings not only provide for individual economic development but also have a positive impact on the state's economy as a whole. "Through Individual Development Accounts individuals can save funds for an education, which increases their skills and contributions to the state. They will be able to purchase a home which increases the number of homeowners within the state. They may choose to use their funds to start a small business thus creating a job for themselves and maybe others in the community. Other benefits of asset accumulation programs are improving of household stability; psychologically connecting people with viable hopeful futures; enabling people to focus and specialize; providing a foundation for risk-taking; and enhancing the welfare of children and future generations."[2]

"Already, there is encouraging evidence from IDA programs that poor people, with proper incentives and supports, will save regularly and acquire assets. For example, 913 low-income families participating in a federal IDA demonstration saved $165,225 as of December 31, 1998, and these savings leveraged another $342,775 in matching funds. Monthly deposits ranged from $30 - $70 per month. Also, recent research compiled by the Center for Social Development shows many beneficial aspects in saving through an IDA program. Among other outcomes, the research found that assets acquired through IDAs promote economic household stability, promote educational attainment, decrease risk of intergenerational poverty transmission, increase health and satisfaction among adults, and increase local civic involvement."[3]

IDA Rules, Laws and Regulations

<u>State Laws and Regulations</u>
Ohio Revised Code (ORC) Section 5101.97 gives the Ohio Department of Job and Family Services (ODJFS) the authority to adopt rules governing the implementation of IDA programs by the county departments of job and family services in accordance with Chapter 119 of the Revised Code.

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[1] Sherridan, M. (1991). Assets and the Poor: A New American Welfare Policy. Armonk, NY: Sharpe.

[2] Sherridan, M. (1991). Assets and the Poor: A New American Welfare Policy. Armonk, NY: Sharpe.

[3] Corporation for Enterprise Development (CFED)

A CDJFS that elects to implement an IDA program must comply with the regulations contained in Ohio Revised Code Sections 329.11 through 329.14 and rule 5101:1-3-18 of the Ohio Administrative Code. Rule 5101:1-3-18 was issued with MTL 409 and is contained in Chapter 3000 of the Public Assistance Manual. The remaining part of this section is a synopsis of the state regulations governing the implementation of an IDA program by the CDJFS. This synopsis is not intended to be a complete overview of the IDA program policy; the CDJFS is encouraged to review ORC Sections 329.11 to 329.14 and rule 5101:1-3-18 in their entirety.

Under the IDA program, an individual may deposit earned income with a fiduciary organization, i.e., a nonprofit fund-raising organization that is exempt from federal income taxation. The money that an individual deposits in an IDA must be earned income. The fiduciary organization will secure matching funds for the money held on deposit at a match rate not to exceed two to one. The matching funds may be secured from corporations, individuals, other entities or the CDJFS. An individual development account balance may not exceed more than ten thousand dollars at any time.

An individual whose household income does not exceed one hundred fifty percent of the federal poverty level is eligible to participate in an IDA program established by the CDJFS in the county in which the individual resides. This income limit applies only at the time that an individual enters into the IDA program; it is not a requirement after the individual begins participation in an IDA.

An individual seeking to be a participant in an IDA program shall enter into an agreement with the fiduciary organization administering the program. The agreement shall specify:(1) the terms and conditions of uses of funds deposited; (2) financial documentation required to be maintained by the participant; (3) expectations and responsibilities of the participant; and (4) services to be provided by the fiduciary organization.

IDA funds may be withdrawn only for specified purposes as established by law. These purposes are: (1) post-secondary education, (2) home purchase, or (3) the establishment of a business. Allowances are made for emergency withdrawal of the funds that the individual has contributed. However, as set forth in rule 5101-1-3-18 of the Administrative Code, there are penalties for use of the withdrawn funds if the funds are not used in accordance with the provisions contained in ORC Section 329.14. A withdrawal from the IDA account may be made only with the approval of the fiduciary organization.

A CDJFS can select a fiduciary organization to administer its IDA program or the CDJFS may be the fiduciary organization. The responsibilities of a fiduciary organization, including reporting requirements, are outlined in Rule 5101:1-3-18 of the OAC and is discussed later in the Program Administration section of the guidance document.

Federal Laws and Regulations

The federal welfare reform legislation, Public Law 104-193 (P.L. 104-193), gives states the authority to create IDA programs using TANF funding for match and for administration of the IDA program. Section 263.20 of the federal TANF regulations outline the federal TANF rules that apply to IDA accounts.

According to Section 263.20 of the federal TANF regulations, the funds in an IDA account are disregarded in determining eligibility for, or the amount of, assistance in any federally means-tested program. Therefore, funds in an IDA are disregarded as a resource for Food Stamps, PRC, and Medicaid during any period an individual maintains or makes contributions to the account.

State law and federal TANF regulations require that, when withdrawing IDA funds for post-secondary education, home purchase or business capitalization, the IDA funds must be paid directly to a vendor or to whom the funds are due.

There are two differences between the state law and the federal TANF regulations.

(1) The federal TANF regulations state that the individual participating in an IDA must be eligible for TANF. Ohio laws says that the individual's household income must be below 150% of the federal poverty line.

(2) The federal TANF regulations state that the individual who is purchasing a home must be a first-time home buyer. State regulations do not stipulate that the individual purchasing a home must be a first-time home buyer.

Therefore, if PRC funds are used for match, the individual must be eligible for TANF and the CDJFS must adhere to the federal definition of first-time home buyer. Under federal TANF regulations, first-time home buyer is defined as "a taxpayer (and, if married, the taxpayer's spouse) who has not owned a principal residence during the three-year period ending on the date of acquisition of the new principal residence."

Program Administration

The purpose of this section is to detail the roles and responsibilities for the major players involved in administering the IDA program in Ohio. The participating parties may vary by county; however, generally one can expect the involvement of the ODJFS, CDJFS, the Fiduciary organization and in some cases other public or private matching agencies.

ODJFS ROLES & RESPONSIBILITIES

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ODJFS has the responsibility of adopting rules to govern the implementation of the IDA program. The rules govern the following:

1. Imposing a penalty for unauthorized use of matching contributions;
2. Specifying the information that must be included in the CDJFS report to the state;
3. Specifying the responsibilities of a fiduciary organization under the IDA program established under section 329.12 of the ORC.

ODJFS is also responsible for preparing an annual report to the governor and legislature on IDA programs established by the CDJFS.

CDJFS ROLES & RESPONSIBILITIES

A. Designation of the IDA Program Fiduciary Organization

The CDJFS should invite non-profit and governmental agencies, businesses and unions to apply for authorization to participate as the fiduciary organization responsible for the administration of the IDA program . Such authorization could include a grant of operating monies, based on a competitive Request for Proposal (RFP) process.

According to ORC Section 329.12, the CDJFS will consider the following when selecting the fiduciary organization:

1) Its ability to market the program to potential participants and matching fund contributors;
2) Its ability to invest money in the accounts in a way that provides for return with minimal risk of loss;
3) Its overall administrative capacity, including the ability to verify eligibility of individuals for participation in the program, prevent unauthorized use of matching contributions, and enforce any penalties for unauthorized uses that may be provided for under section 5101.971 of the ORC;
4) Its ability to provide financial counseling to participants;
5) Its ability to provide or arrange other activities designed to increase the independence of individuals and families through post-secondary education, home ownership, and business development;
6) Any other factors the county department considers appropriate.

B. Reporting Requirements

The CDJFS shall require the fiduciary organization to collect and maintain information regarding the program, including all of the following:

1) The number of accounts established;
2) The amount deposited by each participant and the amount matched by contributors;
3) The uses of funds withdrawn from the account, including the number of participants who used funds for post-secondary educational expenses and the institutions attended, the number of personal residences purchased, and the number of participants who used funds for business capitalization;
4) The number of participants who withdrew from the program and the reasons for withdrawal.
5) The demographics of program participants.

Each CDJFS shall prepare and file with ODJFS a semi-annual report containing the information as required by ODJFS. The specific reporting requirements will be supplied by ODJFS in the near future.

<u>C. Financing Options</u>

Presently, the CDJFS has two options for encouraging and leveraging investments in IDAs: 1) Use of designated state TANF matching funds, and 2) Use of PRC funds. The CDJFS will need to modify its PRC plan appropriately to include IDA if PRC funds are used for the match. For purposes of PRC assistance, the match money is considered as non-assistance even if provided on an ongoing basis.

Pursuant to ORC Section 329.12(C), once the CDJFS begins the IDA program it may make a grant to the fiduciary organization to pay all or part of the administrative cost of the program on the first day of each subsequent program year. The administrative cost grant applies to the two funding options.

State TANF Funds - Match Funds Only

The CDJFS can obtain matching funds from designated TANF funding that is set aside by ODJFS in the amounts of $2,000,000 for each of state fiscal years 2000 and 2001. These funds will be encumbered at the state level for the reimbursement to the county agencies for expenditures of the IDA program.

The counties will be reimbursed for matching fund expenditures using the encumbered funds. The expenditures will be outside the counties' consolidated allocations. If the $2 million encumbrance is exhausted, the additional expenditures will be charged to the counties' consolidated allocations.

County PRC Funds - Match and/or Administrative Funds

When using county PRC funds for the match and/or the administrative costs, the CDJFS must follow

Section 263.20 of the TANF regulations as well as the applicable state regulations mentioned in the Laws, Rules, and Regulations section of this document.

Fiscal Coding

Counties will report the matching IDA expenses and the fiduciary's administrative cost on their monthly 2827 Financial Report. Code 252-50 will be used to report the matching funds deposited into the clients' accounts. Code 252-30 will be used to report the fiduciary agency's administrative expenses.

FIDUCIARY ORGANIZATION'S ROLES & RESPONSIBILITIES

The minimum requirements for the fiduciary organization under Ohio Law are:

1) To establish an individual development account only in a financial institution insured by the Federal Deposit Insurance Corporation or in accordance with section 1733.041 of the Revised Code.
2) To comply with the IDA Account Requirements set forth in Section 329.13 of the ORC which outlines all of the requirements associated with the depositing of the IDA contributions into IDA accounts with the financial institution.
3) The fiduciary organization is required to collect and maintain information on the IDA program, including:

    1) The number of accounts established;
    2) The amount deposited by each individual and the amount matched by contributors;
    3) The uses of funds withdrawn from the account; and
    4) The demographics of program participants.

Other fiduciary responsibilities may include marketing; soliciting matching contributions; counseling account holders; conducting verification, compliance, and evaluation activities; and any other responsibilities considered appropriate by ODJFS and/or the CDJFS.

IDA PARTICIPANTS' RESPONSIBILITIES

An individual seeking to be a participant in an IDA program shall enter into an agreement with the fiduciary organization administering the program. The agreement shall specify: (1) the terms and conditions of uses of funds deposited; (2) financial documentation required to be maintained by the participant; (3) expectations and responsibilities of the participant; and (4) services to be provided by the fiduciary organization.

Penalties for Misuse of Matching Funds

According to Rule 5101:1-3-18, misuse of IDA matching funds by a participant can result in termination from participation in the IDA program; six month suspension from participation for the first occurrence and one year for the second or subsequent occurrence and referral to the county prosecutor. Any money remaining in the IDA less the matching contributions will be given to the participant at the beginning of the penalty period and the remaining contributor match with be returned to the contributor.

Program Design

Research on IDA programs has shown that the most successful programs include some common components. The following matrix includes some of the recommended program components as well as information on federal and state law requirements affecting the components.

IDA Process	Model Components	State Law Requirements
Introduction and Orientation	*Participant Eligibility Determination*: Those persons who are currently employed and whose income falls within the program guidelines are considered eligible to apply to participate in the program.	ORC 329.14(A) An individual whose household income does not exceed one hundred fifty percent of the federal poverty line is eligible through the county department of job and family services in which the individual resides. TANF regulation 263.21 If TANF funds are used, individual must be eligible for OWF or PRC.
IDA Process	Model Components	State Law Requirements

	Permissible Uses: According to the U.S. Office of Thrift Supervision's Individual Development Accounts (IDAs): Strategy for Asset Accumulation, IDAs are created as an asset-building strategy, and are designed to achieve high-return investments. The primary uses of IDAs have been to fund the direct costs of education and training, self-employment, and home ownership. Some IDA programs allow participants to withdraw their own funds in case of an emergency.	ORC 329.14(D)(1)..... an individual development account participant may use money in the account only for the following purposes: (a) Post-secondary educational expenses paid direct from the account to an eligible education institution or vendor; (b) Qualified acquisition expenses of a principal residence, as defined in 26 U.S.C. 1034, as amended, paid directly from the account to the person or government entity to which the expenses are due; (c) Qualified acquisition expenses made in accordance with a qualified business plan that has been approved by a financial institution or by a nonprofit micro enterprise program having demonstrated business expertise and paid directly from the account to the person the expenses are due. ORC 329.14(D)(2) A fiduciary organization shall permit a participant to withdraw money deposited by the participant if it is needed to deal with a personal emergency of the participant or a member of the participant's family or household. Withdrawal shall result in the loss of any matching funds in an amount equal to the amount of the withdrawal.

IDA Process	Model Components	State Law Requirements
Opening Accounts	*Savings Structure* may specify: • Each participant has an individual account for his/her savings. • Monthly savings amount to be deposited from earned income. • Match rate of $2 for every $1 saved. • Maximum yearly accumulation amount: The total amount of money the participant can have in the IDA account at the end of each year. • Accumulation period: The period of time from when an IDA account is opened by the participant until the participant has accumulated sufficient funds to invest in the identified asset.	ORC 329.13. A fiduciary organization may establish an individual development account only in a financial institution insured by the federal deposit insurance corporation or in accordance with section 1733.041 [1733.04.1] of the Revised Code. ORC 329.14(B). A participant may deposit earned income......into the account. The fiduciary organization may deposit into the account an amount not exceeding twice the amount deposited by the participant except that a fiduciary organization may not, pursuant to an agreement with an employer, deposit an amount into an account held by participant who is employed by the employer. An account may have no more than ten thousand dollars in it at any time. Notwithstanding eligibility requirements established by Chapter 5107., 5108., or 5111.of the Revised Code, to the extent permitted by federal statutes and regulations, money in an individual development account, including interest, is exempt from consideration in determining whether the participant or the member of the participant's assistance group is eligible for assistance under Chapter 5107, 5108, or 5111 of the Revised Code and the amount of assistance the participant or assistance group is eligible to receive.

IDA Process	Model Components	State Law Requirements
	Account Management Structure • Designated financial institution sets up a special account structure for IDAs which may feature no service charges, prevailing market interest rates, and no minimum opening balance. • Fiduciary organization controls separate custodian account in which the matching funds are kept. • Participants receive account information for both accounts, although they have sole deposit and withdrawal authority only on their own account.	Per ORC 329.13. Not later than the thirtieth day of January of each year, fiduciary organization shall determine whether the amount it deposited into individual development accounts from contributions made by individuals or entities that are not corporations during the previous calendar year was less than fifty percent of the funds available from contributions made by individuals or entities that are not corporations for that year. A fiduciary organization may not accept any additional contributions from individuals or entities that are not corporations for the purpose of matching funds deposited by program participants until it has deposited at least fifty percent of the funds available from contributions made by individuals or entities that are not corporations for the previous calendar year into individual development accounts. Not later than the thirtieth day of January of the year following each fifth year after the effective date of this section, fiduciary organization shall determine whether the amount it deposited into individual development accounts from contributions made by corporations during the previous five-year period was less than fifty percent of the funds available from contributions made by corporations during that period. A fiduciary organization may not accept any additional contributions made by corporations for the purpose of matching funds deposited by program participants until it has deposited at least fifty per cent of the funds available from contributions made corporations for the previous five-year period into individual development accounts.

IDA Process	Model Components	State Law Requirements

Credit Counseling, Budgeting, Economic Literacy Training	*Credit Counseling/Saving/Budgeting* Once enrolled in an IDA program, participants receive assistance in developing their asset acquisition plan. Part of the plan entails establishing and/or cleaning up credit, identifying consumption patterns and developing savings plans.	
	Economic Literacy • Participants attend a designated number of group meetings on “money management” which focuses on personal financial management. • Participants open their IDA accounts after completing a designated number of sessions.	
	Specific Training for Asset-Uses • Participants attend “asset-specific” training sessions, e.g., homeowner educational seminars prior to making a withdrawal for home purchase.	
Withdrawal, Purchasing Assets, and Beyond	*Withdrawal Checks are Sent* After the participant accumulates adequate funds (savings+match+interest) then checks are written from the match and IDA savings accounts and sent to the vendor. The participant can now begin saving for another asset under the permissible IDA uses.	ORC 329.14(D)(3) Regardless of the reason for the withdrawal from the individual development account, withdrawals can made only with the approval of the fiduciary organization.

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County Operated IDA Programs:

Listed below are descriptions of two active county administered IDA programs.

County:	Montgomery CDJFS
Fiduciary Organization:	Oikos Community Development Corporation
Program Title:	*Family Home Purchase Assistance Program (FHPAP)*
Program Purpose:	To establish a fund that matches the personal savings of IDA holders, provides money management and financial skills building training, and authorizes customers withdrawals.
Program Objectives:	The objectives of the FHPAP program are to assist low income, PRC eligible families to develop a stable home environment through financial education, personal financial counseling and the practice of sound personal money management strategies. The goal of the FHPAP is to ensure that low income families have the opportunity to purchase a home through participation in a recognized home purchase IDA program.
Contact Person:	Xavier Gullatte, Montgomery CDJFS, (937) 225-4137 Francis Hovey, Oikos CDC, (937) 278-9096

County:	Hancock CDJFS
Fiduciary Organization:	HHWP Community Action Commission
Program Title:	Hancock County I.D.A. Plan
Program Purpose:	To enable the assistance group (AG) to set and meet long term goals through a professionally-monitored savings plan. The plan is limited to savings for purchase of a home, payment of educational expenses, or the establishment of a small business enterprise.
Contact Person:	Judy Wausord, Hancock CDJFS, (419) 422-0182 Lucy Valerius, HHWP CAC, (419) 423-3755

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IDA Programs in Ohio:

According to the Ohio Community Development Corporation Association's latest publication, the following IDA programs are currently operating in Ohio:

County	Contact	Telephone/Fax Numbers
Athens	Andrew Studniarz Enterprise Development Corp. 900 East State Street, Suite 101 Athens, OH 45701	Tele: 740-592-1188 Fax: 614-797-9659
	Gary Seely COAD 1 Pinchot Lane P.O. Box 787 Athens, OH 45701	Tele: 740-594-8499 Fax: 740-592-5994
	Mary Jean Hanna APAC 204 N. Plains Road The Plains, OH 45780	Tele: 740-797-2608
Cuyahoga	Laurie Murphy WECO 2700 East 79th Street Cleveland, OH 44104	Tele: 216-881-9650 Fax: 216-881-9740
Franklin	Susan Colbert Columbus Housing Partnerships 562 East Main Street Columbus, OH 43215	Tele: 614-221-8889 Fax: 614-221-8904
	Matt Baldwin **CMACAO** 700 Bryden Road Columbus, OH 43215	Tele: 614-324-5109
	Inna Kinney Jewish Family Services 111 College Avenue Columbus, OH 43209	Tele: 614-231-1890
<u>County</u>	<u>Contact</u>	<u>Telephone/Fax Numbers</u>

Green	Jean Clement Green County Metro. Housing Auth. 538 North Detroit St. Xenia, OH 45385	Tele: 937-376-2908 Fax: 937-376-2487
Hamilton	Rahim Spence Smart Money Community Services 1731 Vine St. Cincinnati, OH 45210	Tele: 513-241-7266 Fax: 513-241-7436
	Kristien Ritchie Neighborhood Hsg. Service Of Cin., Inc. 1811 Losantville Ave., Suite 220 Cincinnati, OH 45237	Tele: 513-631-8560 Fax: 513-631-1116
Hancock, Hardin, Wyandot, & Putnam	Lucy Valerius **HHWP Community Action Comm**. 122 Jefferson Street P.O. Box 179 Findlay, Ohio 45839	Tele: 419-423-3755
Hocking	Laura Lucas **Logan County Metro Housing Authority** 116 N. Everett Bellefontaine, OH 43311	Tele: 937-599-1845
Medina	Debbie Kubena-Yasko Medina MHA 860 Walter Road Medina, OH 44526	Tele: 216-725-7531 Fax: 216-723-6546
Licking	Cindy Madellan Licking Co. Coalition for Housing P.O. Box 613 Newark, OH 43058	Tele: 740-345-1970
Mahoning	Jan Harry Rural Opportunities 247 E. Main Street Alliance, OH 44601	Tele: 330-821-4740
County	Contact	Telephone/Fax Numbers

Montgomery	Frances Hovey **OIKOS Community Development Corp**. 1922 North Main Street Dayton, OH 45405	Tele: 937-278-9096 Fax: 937-278-9520
Stark	Darlissa Bradford **Stark County Out of Poverty** P.O. Box 20468 Canton, OH 44701	Tele: 330-489-5489 Fax: 216-430-7705
	Phyllis Beyers Rural Opportunities 247 E. Main Street Alliance, OH 44601	Tele: 330-821-4740 Fax: 330-821-8510
Summit	Grady Appleton East Akron NDC 550 South Arlington Street Akron, OH 44306	Tele: 330-773-6838 Fax: 330-773-0345
	Quintella Strickland East Akron Neighborhood Development Corporation 550 S. Arlington St. Akron, OH	Tele: 330-773-6838
Warren	Madelyn Coons Warren County Community Services 570 NSR 741 Lebanon, OH 45030	Tele: 513-932-6301 Fax: 513-933-2277
Williams, Defiance, Henry, Fulton, Paulding	Marcy Feeney Northwestern Ohio CAC 1933 E. Second Street Defiance, OH 43513	Tele: 419-784-2150

Bold-faced are the Ohio Community Development Corporation Associations' Assets for Independence sites.

Other States' IDA Initiatives:

State	Contact	Description
Arkansas	Arkansas Development Group 605 Main Street, Suite 203 Arkadelphia, AR 71923 Tele: 870-246-9739 nsandage@ehbt.com	The Good Faith Fund is in the process of developing an IDA program that will help to close the asset gap.
Indiana	Eastside Community Investments	The IDA program, funded by the Joyce Foundation, provides participants in ECI job training, skill development and housing programs a nine-to-one match for deposits in their IDAs. Their accrued savings can be used for education, home ownership, tools and materials for a career, or starting a business.
Iowa	Family Investment Program (FIP) Tele: 515-281-7714	Iowa's FIP includes a five-year demonstration of 10,000 IDAs. Participants must be at 200% of the poverty level or below. The funds can be used for educational expenses, job training costs, purchase of a house, or start-up of a business. Matching funds will be provided.
Missouri		Establish the Family Development Account Program within the Department of Economic Development to encourage individuals with household income at or below 200% of the federal poverty level to establish savings accounts.
	Gina Gunn St. Louis Regional Jobs Initiative Tele: 314-421-4220	Dedicated to assisting low-income participants in the program take advantage of opportunities to better one's life.

Technical Assistance Resources:

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Ohio CDC Association
85 E. Gay Street, Suite 403
Columbus, OH 43215
614-461-6392

Campus Box 1196
Washington University
One Brookings Drive
St Louis, Missouri 63130
314-935-7433
Gubssw.wustl.edu

Center for Law and Social Policy
Center for Social Development
1616 P Street, NW
Suite 150
Washington, DC 20036
202-328-5140
www.gwbssw.wustl.edu/Users/csd/

WIN Publications
IDA Resources for Public Decisions,
Susan Freed
www.welfareinfo.org/individu.htlm

IDA Learning Network
202-408-9788
www.idanetwork.org

Corporation for Enterprise Development
777 North Capital Street, NE
Washington, DC 20002
202-408-9788
www.cfed.org
IDA Network: http://idanetwork.org
IDA Program Design Handbook and
accompanying CD-ROM: $50.00

IDA Research Information:

Assets for Independence Act (AFIA)

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Federal legislation designed to establish a five-year national 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 bill will also help meet the fast and rapidly growing demand for IDAs in low-income communities.

Forty demonstration grants were awarded by Health and Human Services and the sites can be found at www.acf.dhhs.gov/news/idapr. The Ohio Community Development Corporaton (CDC) is one of the grantees and several IDA programs around Ohio are participating in the demonstration. Contact the Ohio CDC for additional details.

The Corporation for Enterprise Development (CED) is conducting a demonstration called Down Payments on the American Dream Policy Demonstration, which will be the first large test of the efficacy of Individual Development Accounts as a route to economic independence for low-income Americans. The Demonstration will establish at least 2,000 IDAs in low-income communities across the county. Ten community-based organizations are participating. CED will provide technical assistance to the organizations participating in the demonstration.

Related Saving Program:

<u>Family Self-Sufficiency Program</u>
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.

The family's earned income while in the program establishes the amount to be deposited in the account. 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. FSS accounts do not have a dollar limit, and are transferred to the participants at the end of the five year contractual period, provided all the contractual goals have been met. The account can be accessed before the five year period on an emergency, case-by-case basis, to pay for education, work-related expenses (such as car repair) or other purposes related to the goals in the FSS contract.

Common IDA Questions and Answers

1. Can poor people save, and do assets matter?

Yes. Already, there is evidence from IDA programs that poor people , with proper incentives and supports, will save regularly and acquire productive assets. For example, 1,326 low- income families participating in the American Dream Demonstration (ADD) saved $378,708 as of June 30, 1999, and these savings leveraged another $741,609 in matching funds. Monthly deposits typically range from $30-$75 per month. Also, research summarized by the Center for Social Development demonstrates many beneficial aspects of assets: they promote economic household stability and educational attainment; decrease the risk of inter-generational poverty transmission; increase health and satisfaction among adults and increase local civic involvement.

2. ***Why limit the legitimate uses of IDAs? Why select business development, home ownership, and education for primary use?***

We know that increased business development, home ownership, and education tend to yield high societal returns including jobs, taxes, capital appreciation, and welfare savings.

3. ***If a person loses a job can the individual continue in the IDA program*?**

This would be at the discretion of the county department of job and family services as to whether to continue the program or to suspend the program until the individual secures another job. The continuation of the participation in the program should be based upon whether the person has earned income for deposit into the IDA account.

4. ***Can the County Department of Job and Family Services be the Fiduciary organization*?**

Yes

5. ***At the conclusion of the IDA program who receives the deposited cash?***

Legislation states that IDA funds must be paid directly to the asset provider (e.g., the mortgage provider, educational institution, or business capitalization account at a federally insured financial institution).

6. ***Can non-custodial parents participate in the IDA program?***

Yes, if the county decides to include non-custodial parents.

7. ***What happens with the interest generated by an IDA account*?**

The interest generated by an IDA account is part of the IDA account.

8. ***Is there a set time frame for the participant to save*?**

Yes, this is determined in the initial agreement keeping in mind the savings goals and dollars needed to realize the goals. The time frame can span several fiscal years, assuming that funding will continue. A clause should be placed in the agreement regarding loss of funding which may terminate the agreement.

9. ***What name will be on the account*?**

The account should be in the name of the participant. Accounts can be set up to include both the participant and the name of the matching entity.

10. ***Who will receive the monthly statements*?**

Terms are set up during the initial agreement period. Statements could be sent to both the entity putting up the match dollars and the participant.

11. ***Can IDA funds be used to purchase tuition education credits?***

No.

12. ***Can an participant maintain their IDA account if they move to another county that does not offer IDAs?***

It is possible if the originating county agrees to continue the IDA.

13. ***Can the IDA be used for the spouse?***

There is nothing in state or federal law that forbids using the IDA for a spouse; however, if TANF funds are used, the spouse would have to be eligible for OWF or PRC. It might be a good idea for both the names, the wage earner and the spouse, to be on the account.

14. ***If you don't use TANF matching funds, do the participants still enjoy the same protections for qualifying for other assistance programs?***

Yes

Common IDA Terms

<u>**Ohio Legislation (Sections 329.11 and 329.14 of the ORC)**</u>

(A) "**Eligible education institution**" means an institution described in 20 U.S.C. 1088(a)(1) or 1141(a) as amended, or an area vocational education school as defined in 20 U.S.C 2471(4), as amended.

(A) "**Federal poverty line**" has the same meaning as section 5104.01 of the Revised Code, i.e., the official poverty guideline as revised annually in accordance with the Omnibus Budget Reconciliation Act of 1981 for a family size equal to the size of the family of the person whose income is being determined.

(B) "**Fiduciary organization**" means a nonprofit fund-raising organization exempt from federal income taxation pursuant to 26 U.S.C. 501(a) and (c)(3).

(C) "**Financial institution**" includes a bank, trust company, saving and loan association, savings bank, or credit union authorized to do business under federal law or the laws of this state.

(D) "**Fund available**" means the amount available to a fiduciary organization for the purpose of matching funds deposited by program participants.

(E) "**Individual development account**" means a trust created or organized in the United States pursuant to an individual development program established under section 329.12 of the Revised Code to enable an individual eligible to participant in the program to accumulate funds for the purposes specified in section 329.14 of the Revised Code.

(F) "**Nonprofit micro enterprise program**" means a program under which loans and assistance are provided to low-income persons for the purpose of starting or operating a small business.

(G) "**Post-secondary education expenses**" means both of the following:
(1)Tuition and fees required for the enrollment or attendance of a student at an eligible institution.
(2)Fees, books, supplies, and equipment required for courses of instruction at an eligible education institution.

(I) "**Qualified acquisition costs**" means the costs associated with acquiring, constructing, or reconstructing a residence, including any ordinary or reasonable settlement, financing, or other closing costs.

(J) "**Qualified business**" means any business formed for a purpose for which persons lawfully may associate themselves.

(K) "**Qualified business plan**" means a plan that includes a description of services or goods to be sold, marketing plan, and projected financial statements.

Federal (Section 404(h) of Public Law 04-193)

"**Establishment**" - under a state program carried out under paragraph (1), an individual development account may be established by or on behalf of an individual eligible for assistance under the State program operated under this part for the purpose of enabling the individual to accumulate funds for a qualified purpose described in subparagraph (B).

"**Qualified Purpose**" - a qualified purpose described in this subparagraph is 1 or more of the following, as provided by the qualified entity providing assistance to the individual under this section:

- (i) **Post-secondary Educational Expenses** - post-secondary educational expenses paid from an individual development account directly to an eligible educational institution.
- (ii) **First Home Purchase** - qualified acquisition costs with respect to a qualified principal residence for a qualified first-time home buyer, if paid from an individual development account directly to the persons whom the amounts are due.
- (iii) **Business Capitalization** - amounts paid from an individual development account directly to a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses.

"**Contributions to be from Earned Income**" - an individual may only contribute to an individual development account such amounts as are derived from earned income, as defined in section 911(d)(2) of the Internal Revenue Code of 1986.

"**Withdrawal of Funds**" - The Secretary shall establish such regulations as may be necessary to ensure that funds held in an individual development account are withdrawn for one or more of the qualified purposes described in subparagraph (B).

"**Individual Development Account**" - an individual development account established under this subsection shall be a trust created or organized in the United States and funded through periodic contributions by the establishing individual and matched by or though a qualified entity for a qualified purpose (as described in paragraph (2)(B)).

"**Qualified Entity**" - as used in this subsection, the term 'qualified entity' means –

- (i) a not-for-profit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempted from taxation under section 501(a) of such Code; or,
- (ii) a State or local government agency acting in cooperation with an organization described in clause (I).

"**Eligible Educational Institution**" the term 'eligible educational institution' means the following:

- (i) An institution described in section 481(a)(1) or 1201 (a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141 (a)), as such sections are in effect on the date of the enactment of this subsection.

(ii) An area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471 (4))) which is in any State (as defined in section 521 (33) of such Act), as such sections are in effect on the date of the enactment of this subsection.

"**Post-Secondary Educational Expenses** "- The term 'post-secondary educational expenses' means
(i) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution, and
(ii) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

"**Qualified Acquisition Costs**" - The term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence. The term includes any unusual or reasonable settlement, financing, or other closing costs.

"**Qualified Business**" - The term 'qualified business' means any business that does not contravene any law or public policy (as determined by the Secretary).

"**Qualified Business Capitalization Expenses**" - The term 'qualified business capitalization expenses' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

"**Qualified First-Time Home buyer**"
(i) In General - The term 'qualified first-time home buyer' means a taxpayer (and, if married the taxpayer's spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this subsection applies.
(ii) Date of Acquisition - The term 'date of acquisition' means the date on which a binding contract to acquire, construct, or reconstruct the principal residence to which this subparagraph applies is entered into.

"Assistance" - is defined to include benefits designed to meet ongoing basic needs (and includes child care and transportation subsidies for people who are not employed).

"Earned Income" - means wages, salaries, or professional fees and other amounts received as compensation for personal services actually rendered, but does not include that part of compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered."

"Non-Assistance" - Means services provided to families under TANF that have no direct monetary value to an individual family and that do not involve implicit or explicit income support such as counseling, case management, peer support, and employment services that do not involve subsidies or other forms of income support (e.g., work subsidies, support services, refundable earned income tax credits and contributions to and distributions from Individual Development Accounts).

"**Qualified Plan**" - The term 'qualified plan' means a business which –

(i) is approved by a financial institution, or by a nonprofit loan fund having demonstrated fiduciary integrity,
(ii) includes a description of services or goods to be sold, a marketing plan, and projected financial statement, and
(iii) may require the eligible individual to obtain the assistance of an experienced entrepreneurial advisor.

"**Qualified Principal Residence**" - The term 'qualified principal residence' means a principal residence (within the meaning of Section 1034 of the Internal Revenue Code of 1986), the qualified acquisition costs of which do not exceed 100 percent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e) of the Internal Revenue Code).

JRS/js

cc: County Commissioners Association
PCSAO
Regional Account Managers
Fiscal Supervisors
Joel Potts
Wayne Sholes
Bill Demidovich
OHSDA
Cheri Walter
Deputy Directors
Deputy Account Managers
LouAnn Shy
Technical Assistance Managers
Bureau Chiefs/OWD
John Schuster
Rick Smith