

# Individual Development Accounts: Asset-Building Opportunities for Survivors of Domestic Violence

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ASSET 

The ASSET logo icon consists of a stylized figure of a person standing on a globe, with three circular icons (a person, a dollar sign, and a house) floating above them.

# ASSET Building

- Idea came from Michael Sherraden: *Assets and the Poor: A New American Welfare Policy* in 1991
- Welfare reform was in national spotlight
- Private foundations provided funds to test idea
- Assets for Independent Act passed in 1998 with broad bipartisan support
- Sherraden argued that welfare policy failed to recognize a tenet of middle class life by focusing on income.

# Shift focus from income to asset ownership

- Income (TANF, SSI, SSDI) an important part of safety net, but asset ownership increases economic stability and provides hope for the future.
- People with assets have more options in life and can pass on status and opportunities for future generations.
- Income helps families get by. Assets help families get ahead.

# What are Assets?

- Savings (3-6 month nest egg) to protect against loss of income/emergencies
- Matched Savings (Individual Development Accounts)
  - First home
  - Higher education and training
  - Develop or expand small business
- Good credit report and score, access to credit
- Human capital
- Property, equipment, land

# Financial Assets Matter

- Move past paycheck to paycheck
  - Toward long-term financial stability
- Stronger, Healthier Families
- Enhanced Self-Esteem
- Long-term Thinking and Planning
- More Community Involvement
- Hope for the Future



# The ASSET Initiative

- Collaboration across ACF Programs to bring asset building tools & practice to ACF grantees and families served in programs.
- Incorporates lessons learned from Assets for Independence Demonstration Program and related research
- Families move past paycheck to paycheck existence, toward financial stability

# Asset Initiative

## Current Population Focus

- Building Assets for Fathers and Families
- Financial Stability for Families with Young Children
- Native Americans
- Refugee Communities
- Support for People with Disabilities
- Asset-Building for Victims of Domestic Violence

### **And Cross- Cutting Components**

- Effective Financial Education
- Earned Income Tax Credit Outreach

# Dramatic IDA growth across the Nation

- More than 500 IDA programs
- More than 71,000 IDA accounts today:
  - Most funded by U.S. Assets For Independence Program under HHS
- 10,537 new homeowners, 7,572 higher education purchases & 7,476 small business startups
- 20 states provide some support for IDA programs



# IDAs: How they work

- Participation in financial education is required
- Must have EARNED income & be income-eligible:  
TANF=automatic eligibility or 200% FPG and \$10,000 or less net assets
- Match amount -- 2:1 up to 8:1. Up to five years to save
- Most IDAs are federally funded
- Matched withdrawals for first home purchase, microenterprise, or post-secondary education (including transfer to dependent or spouse)

# Asset Building for Survivors of Domestic Violence

## Examples of Economic Abuse:

- Lack of access to financial resources and employment
- Damage to credit
- Debt accumulation
- Identity theft and fraud

Economic dependency is one of **the strongest predictors** of the decision to remain, leave, or return to abusive relationship.

Leaving an abusive relationship is a process, not an event.

## Christy Bailey, homeowner



**Five years before she bought this home, Christy Bailey was a methamphetamine addict, married to an abusive husband and homeless. She hit bottom when she lost custody of her three children. Today Christy and her four-year-old daughter, Serenity, live in their own three bedroom home in Owensboro, Kentucky.**

# Christy Bailey: tax-paying citizen

- Director of Operations at a homeless shelter



# Importance of Safety Planning

- Survivors at great risk when they are trying to leave abusive relationships.
- Process of gaining economic independence may cause more violence.
- Safety planning for some survivors is more important than ever.

# Meet KDVA's first homeowner



**Andrea Langefeld: “The IDA program is a great program, but it is something that you have to work for. You have to have ambition.”**

# ROW's Economic Action Program (REAP)\*: More than Financial Literacy

- Safety planning lens
- Woman-defined
- Discussion of oppression
- Popular education philosophy

# Making it safe for survivors of intimate partner violence

- Only consider survivor's income for eligibility
- Conduct safety planning in every session if necessary
- Meet for follow-up session in the community



# IDA account operations, cont'd.

- Savings plan agreements
- Survivor-centered policies
- Benefits of allowing eligible staff to enroll
- Create monthly statements that show match and progress towards savings goal

# Intensive One-on-One Support

- Deposits -- avg. \$20-\$40
- Getting clients to the bank
- Making deposits for clients
- Mailing deposits/direct deposit
- Emergency withdrawals
- Leave of absence
- Emergency Fund
- VITA sites, EITC outreach

# Christa McMichael



- Moved to Kentucky in 2005
- Received TANF, Ready to Work
- Credits 2 advocates: TANF worker & IDA advocate
- Financial education classes & budgeting instruction
- Monthly peer support group meetings were key
- Child care & dinner for kids at monthly group mtgs.
- Education IDA helped her become an LPN
- Homeownership IDA, bought a home in Oct. 2009

## Christa McMichael, LPN, AFI IDAs for Education, Home

Education IDA	Year One	Year Two	Year Three	Total
Indiv. Savings	360	890		1,250
AFI & Other Match-Education	720	1,780		2,500
<b>Total</b>	<b>1,080</b>	<b>2,670</b>		<b>3,750</b>
Home IDA	Year One	Year Two	Year Three	Total
Indiv. Savings	2,000			2,000
AFI & Other Match	4,000			4,000
<b>Total</b>	<b>6,000</b>			<b>6,000</b>

# Myriam Ibanez, homeowner



Myriam Ibanez moved her family from an apartment in public housing to a three-bedroom frame home three years after opening her IDA.

# Caseworkers helped Myriam find the confidence to get a better job



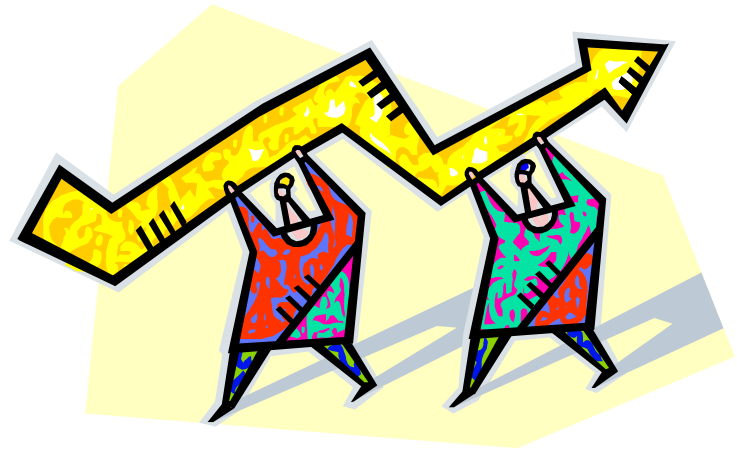
Myriam was working part-time at a day care center when she enrolled in the IDA Program. She got a CNA certification and found a higher paying full-time job. Her income meant that she could afford this home in Bowling, Green, Kentucky.

# Additional Program Components

- Intensive one-on-one support, including:
  - Credit counseling
  - Credit action planning
  - Cost of living plans
  - Goal-setting/planning
  - Safety planning
  - Advocacy with creditors
  - Christa increased her credit score by 150 points

# Results

- 28 survivors increased scores by 50 points or more
- 4 survivors increased their scores by more than 100 points





# Sharon Hayes



As the mother of two young children, Sharon Hays could not see the way out of her abusive marriage. Two years ago, with the help of economic empowerment programs that put her on the road to financial independence, she found the will to leave her husband. The IDA program has helped Sharon go back to college, and with the help of her one-on-one credit coach, Sharon was able to raise her credit score by 126 points.

# EITC & IDAs

- Raise awareness about predatory nature of high-interest refund-anticipation loans
- In first year, EITC refund typically used to pay debt/repair credit
- In second/third year, clients more likely to save a portion of refund in IDA account

# Tax time = opportunity

- EITC is responsible for the largest one-time infusion of cash each year for low-income, working families
- Tax season is already a time of intense financial planning for most low-income families
- IDA participants can triple their savings

“I own a real house!”



Tammy Eidson and her sons at their home in Ashland, Kentucky

# Asset Building in Other States

- Arkansas – IDAs and VITA (funded through TANF)
- Louisiana – IDAs (funded through TANF)
- New Mexico – IDAs (funded through general revenue)
- Oklahoma – Partnership with OK Association of Community Action Agencies for EITC outreach
- Texas – Training for regional staff; VITA sites, EITC promotion, financial education (through TX Workforce Commission)
- Idaho – Currently looking at how to use IDAs and financial counseling to meet MOE requirements

# Asset Building in Region IV

- **Georgia** – State Legislature recently passed legislation that will establish a Statewide IDA Program.
- **Alabama** – Governor Bentley signed into law SB 295, which will establish a statewide IDA program.
- **North Carolina** – State-funded IDA program and refundable EITC historically.
- **Kentucky** – Governor publicizes VITA and EITC annually; asset test lifted for recipients of food stamps

# State TANF Expenditures: IDA and EITC

## FY 2009 TANF Expenditures:

- **6 states put TANF \$ into IDAs:** AR, LA, IN, MI, OH, VA
- **17 states put TANF \$ into refundable EITC:** CO, DC, IL, IN, IA, KS, MD, MI, MN, NE, NJ, NM, NY, NC, RI, VT, and WI
- **5 states put TANF \$ into other refundable tax credits:** MA, MN, NE, NY, and OR

# Region III Conversations with State TANF Directors

- RA and Assets Regional Consultant are talking to state TANF Directors about getting newly-employed TANF recipients set up with bank accounts and direct deposit
- Building financial education into job readiness and preparedness
- Want to build in with contractors that key milestones occur: opening bank account, getting tax refund, obtaining credit repair, receiving financial education.



Questions. Comments?

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