WELFARE PEER TECHNICAL ASSISTANCE NETWORK

BROADCAST CALL

Event: "Welfare Reform and Housing—Asset Building and Individual Development Accounts (IDAs)" Part of the *Family Independence Forum* Series

Date: August 2, 2000 2pm-3pm

Purpose: To review the asset building and IDA program concepts, present examples of cooperation between state TANF agencies and asset building programs, and identify issues related to asset building and IDAs that are likely to arise for State TANF agencies

Speakers: Stephen Yank, Federal HUD Office
David Perret and Robert Krebs, Iowa Department of Human Services
Stephen Dow and Jennifer Robey, Community Action Project of Tulsa

I. What is an IDA?

Individual Development Accounts are accounts set up under an asset-building program that provides matching funds to encourage and promote savings among low-income families. Prior to the 1996 welfare reform legislation States began funding asset-building programs for welfare families under waiver demonstration projects. More recently, States received authority to fund IDA programs under TANF, and the Assets for Independence Act authorized IDA demonstration projects to be operated non-profit agencies (some in conjunction with state, local, or tribal governments.)

Although there is some variation, depending upon the specific source of funding, IDA assets may generally be withdrawn for only three purposes: (1) buying a first home; (2) receiving post-secondary education or training; or (3) starting a small business. In practice, some states have authorized additional uses of funds, such as medical emergencies, retirement, home improvements, a car (to get to work), or even clothes for work.

For administrative and fiscal reasons, some programs segregate individual and matching funds or defer the actual contribution of matching funds until a qualified withdrawal occurs. When the accountholder has accumulated enough savings and matching funds to purchase the asset (typically over two to four years), IDA programs generally make payment directly to the asset provider. Also, it is common practice for IDA programs to require that participants complete an approved financial education course provided by the qualified financial institution or non-profit agency.

IDAs funded under TANF

Under the broad purposes of the Temporary Assistance for Needy Families program (TANF), States may use Federal TANF funds or State "MOE" funds to funds IDA programs (e.g., to provide matching funds or cover some of the implementation costs.) In addition, the TANF statute contains a specific provision that authorizes the use of Federal TANF funds for IDAs and disregards IDA assets in determining eligibility and benefits under any federally funded means-tested program. For this and other reasons, it is important to know the underlying authority for any IDA program operated in the state. (Additional policy guidance TANF IDAs may be found at 45 CFR 263.20-263.23 and at http://www.acf.dhhs.gov/programs/ofa/qapol.htm#individual)

The Center for Social Development at Washington University in St. Louis offers some basic guidelines to consider when writing IDA policy (look for the full list on their website at the address below). Some considerations it mentions are: IDAs should complement income-based policy, eventually IDAs should be available to everyone, and individuals should have choices regarding how their IDAs are invested. Also located on the website is "model" state legislation for IDAs.[1]

According to CSD, at least 46 states have some kind of community-based IDA programs, and 32 of these states mention IDAs in their plans for using TANF funds. Most of these states allow (or plan to allow) TANF funds to be used for matching funds and administrative costs. Each state can decide whether or not to use TANF funds for IDAs (matching funds and/or administrative costs), what assets funds may be used to purchase, the rate of matching funds, and penalties (if any) for early withdrawal of savings. Also, most states do not require that people participating in TANF-supported IDA programs be **receiving** TANF assistance. Under the Federal TANF rules, contributions to, and distributions from, IDAs are not considered TANF "assistance" and do not count against a family's lifetime limit for TANF assistance. Specific information on each state program can be found at Washington University in St. Louis' Center for Social Development: http://www.gwbweb.wustl.edu. A complete list of State policies on IDA uses is located at http://www.spdp.org/tanf/financial/idauses.pdf.

Innovative Programs

Iowa Department of Human Services

Since 1995, Iowa has been working with seven community organizations and financial institutions to implement and sustain successful IDA programs. The individual organizations receive funds through a RFP process and are responsible for the design and operation of local IDA programs within state guidelines. These organizations recruit participants, raise private funds for contribution matches, and manage accounts at

[1] In considering these suggestions, it is also important to note any possible restrictions that exist in federal or state law associated with the use of particular federal or state funds. For example, the provision in the TANF statute limits participation to TANF-eligible families.

financial institutions. The private organizations are also responsible for implementing mandatory economic training programs.
During the development and practice of Iowa's IDA programs, the Department of Human Services has learned some important lessons, such as do not over-legislate, over-regulate, or micro-manage the project. The Department has learned that collaboration with state agencies, legislators, the Governor's office, community organizations, labor, and businesses to create a statewide IDA plan has worked well. In addition, they have found success through collaboration, simplicity of design and implementation, careful planning, flexibility, and incentive grants. David Perret of Iowa's Department of Human Services can be contacted for more information at: dperret@dhs.state.ia.us.

Community Action Project of Tulsa

The Community Action Project of Tulsa (CAPTC) is a community-based, comprehensive anti-poverty agency whose mission is to help individuals and families in economic need achieve self-sufficiency through emergency aid, medical care, housing, community development, education, and advocacy in an atmosphere of respect. CAPTC's IDA program targets working poor households with children who qualify for the maximum EITC refund. Many of the IDA participants are clients of other CAPTC services. With 12 sites, and participants' saving an average of 55 dollars per month, the total saved and match funds at the project equals over $664,000. The average participant in the program is a single mother of two or three children. In fact, 95 percent of the participants have children at home. For this reason, Tulsa has incorporated many "family" issues into the required money management classes (e.g., feeding a family on a budget) and encourages participation in optional workshops that include the entire family, including teaching children how to save money. For more information about the Community Action Project of Tulsa, contact Jennifer Robey at jrobey@captc.org.

IDAs under the Assets for Independence Act

The Department of Health and Human Services, Administration for Children and Families, Office of Community Services, offers competitive demonstration project grants to establish, implement, and participate in the evaluation of Individual Development Accounts for lower income individuals and families. This program has 5-year project and budget periods and a 100-percent cash nonfederal match requirement. Assets for Independence (IDA) demonstration projects determine: (1) the social, civic, psychological, and economic effects of providing low income working individuals and families an incentive to acquire assets by saving a portion of their earned income; (2) the extent to which an asset-based policy that promotes saving for post-secondary education, homeownership, and microenterprise development helps individuals and families to increase their economic self-sufficiency; and (3) the extent to which and asset-based policy stabilizes and improves families and their communities. Eligible entities are: not-for-profit 501(c)(3) tax exempt organizations and state and local government agencies and tribal governments submitting an application jointly with such a not-for-profit organization.

The FY 2000 deadline has passed, but a similar Program Announcement is expected for FY 2001. For more information, visit http://www.acf.dhhs.gov/programs/ocs/ida00.htm, or contact Sheldon Shalit at sshalit@acf.dhhs.gov.