



Connecticut Individual Development Account Initiative

Information Booklet for **FINANCIAL INSTITUTIONS**



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Introduction

Individual Development Account (IDA) Programs are a relatively new idea that is gaining popularity in the country and in the State of Connecticut. IDA Programs help low-income families accumulate assets that will provide security for them and something of lasting value that they can pass on to their children. Although IDAs were only first proposed in 1993, IDA Programs are already proving successful, both here in Connecticut and in other states. IDA Programs require the participation of financial institutions, local community-based organizations (CBOs), and the IDA account holders. This “partnership” is beneficial to all parties.

Various IDA Programs have different eligibility, program requirements and procedures. The purpose of this booklet is to describe some generally-accepted best practices in the IDA field. We hope this information booklet will be useful to you as your financial institution incorporates IDAs into its services.

What are Individual Development Accounts?

Individual Development Accounts (IDAs) are the centerpiece of a new asset-building strategy that creates hope and jobs and enterprises, builds families, communities and economies, and develops assets and enduring escapes from poverty. They bring to low-income families the benefits of savings, investments, and assets to which higher-income segments of our society have access.

IDAs are matched savings accounts in which low-income individuals and families accumulate funds that can be used for one of several allowable assets. Savings may be matched anywhere from \$.50 to \$1.00, \$2.00 or even \$4.00 for every dollar saved. Depending on the program, allowable asset purchases may include:

- A first home
- Small business capitalization
- Post-secondary education or job training
- Post-secondary education or job training for a dependent child
- A car, if needed for employment
- First and last months' rent and security deposit for an apartment

IDAs are an important community development tool that appeals to all sides of the political spectrum. They provide for a unique collaboration between financial institutions and community-based organizations. By combining the matched savings accounts with Financial Education classes, Asset-Specific Training, and Case Management, IDA Programs help participants change their behavior around saving and spending, show them how to set goals and plan for the future, and bring them into the financial mainstream.

IDAs are a simple idea that works.

Benefits of Asset Building

Asset building is an important addition to the arsenal of weapons used to fight poverty. People escape poverty and achieve wealth through asset acquisition.

One of the drawbacks of current anti-poverty policies is that we raise people only to the poverty line, leaving them without a cushion. Therefore, many families are only one sickness, one accident, or a divorce away from poverty. Owning assets gives people a stake in the future – a reason to save, to dream, to invest time, effort and resources on creating a future for themselves and their children.

Asset building as public policy is not new. IDAs are in the tradition of other government asset-building strategies, such as the G.I. Bill and the Homestead Act.

Inequity of Asset Distribution

The distribution of assets in the United States is much more unequal than the distribution of income. Assets such as a home, an adequate education, or business ownership are the price of entry into the American economic mainstream. In this country, wealth is highly concentrated in a relatively few hands. “As of 2007, the top 1% of households owned 34.6% of all privately-held wealth, and the next 19% owned 50.5%, which means that just 20% of the people owned a remarkable 85%, leaving only 15% of the wealth for the bottom 80% of the population.”¹

IDA Programs work to change these statistics.

¹ “Who rules America?” by Prof. G. William Domhoff, Sociology Dept, University of California at Santa Cruz.

According to the Corporation for Enterprise Development (CFED), every 100,000 IDAs would produce:

- 7,050 new businesses
- 6,000 new and 6,000 rehabilitated homes
- \$287,000,000 in savings in community financial institutions
- \$188,000,000 in increased assets owned by low-income families
- 11,667 families off welfare
- 32,000 additional high school and college graduates

In addition, a whole range of sociological and psychological changes come with increased assets. Some personal benefits that accrue to individuals and families are:

- Increase in feelings of control
- Increase in self-esteem
- Increase in life satisfaction
- Increase in the status of women
- Increase in children's well-being
- Increase in skills
- More stable marriages
- Better physical health

Benefits to the community include:

- Increase in education levels
- Better property maintenance
- Decrease in residential mobility
- Increase in local civic involvement

Low-income people can and want to save; many think they can't on their limited income. They need to know that asset building is within their reach.

“Assets are hope in concrete form.” *Dr. Michael Sherraden*

A History of IDAs

The concept of IDAs was first introduced by Professor Michael Sherraden in his 1993 book entitled Assets and the Poor. He urged the importance of putting a “level floor of assets under each family” in America. IDAs recognize that people escape poverty and achieve wealth through asset acquisition, not simply through income. “Savings are not the purview of the wealthy,” Dr. Sherraden argued. “Savings are an economic nutrient; not dessert.”

In 1997, The American Dream Demonstration Project (ADD) became the first large-scale test of IDAs. ADD was a five-year project supported by several national and local foundations; private organizations, companies and individuals; and state, local and national governments. It was the first major test of IDA programs. Results from ADD can be found on the Center for Social Development's Website. (See list of Resources in Appendix.)

In 1999, the U.S. Government instituted an IDA Demonstration Project called The Assets for Independence (AFI) Program. It is administered by the U.S. Department of Health and Human Services, Administration for Children and Families. There are several Assets for Independence Demonstration Programs operating in Connecticut.

Throughout the United States, there are many state and local IDA Programs currently being implemented, with new programs starting all the time. Interest in IDAs is also growing throughout the world. Over the last decade, more than 85,000 IDAs have been opened in programs administered by more than 1,100 sites across the country. This has resulted in thousands of new homeowners, education purchases and small business start-ups and expansions, as well as other asset purchases.

IDAs in Connecticut

1999 – Connecticut State Treasurer Denise Nappier formed a Task Force on IDAs. Task Force members included IDA program practitioners and representatives from financial institutions, foundations, government, and community-based organizations.

January 2000 – A report was published, based on the results of the Task Force meetings, which included recommendations on how to proceed with expanding IDAs in Connecticut.

May 2000 – The Connecticut General Assembly passed legislation enacting a Connecticut IDA Initiative, and approved the Governor's request for \$400,000 in first-year funding for its implementation. The Connecticut Department of Labor (DOL) was named the administrator of the Connecticut IDA Initiative. (Visit the Connecticut IDA website at www.ctdol.state.ct.us/ida/idahome.htm for more information.)

In the past decade, Individual Development Account programs administered by the Connecticut Department of Labor have resulted in hundreds of assets being purchased by low-income families. IDA participants have saved close to \$700,000 in their IDAs of which over \$360,000 has been used to purchase an asset. Over \$700,000 in matching funds has been provided through the IDA program to assist participants in purchasing their assets.

In addition to DOL's IDA programs, several other agencies throughout Connecticut operate IDA Programs that are successfully helping to move low-income families into asset ownership.

Goals of the IDA Program

- 1.) To provide the means for low-income individuals and families to achieve economic self-sufficiency by utilizing the asset-building approach of IDAs
- 2.) To provide education and training to participants to give them the knowledge necessary to assist them in building their assets, in knowing how to use these assets in the most effective way, and in making their dreams a reality
- 3.) To encourage individual initiative and long range planning
- 4.) To encourage lifetime savings habits in participant families
- 5.) To familiarize low-income families with financial institutions and increase their comfort level in dealing with these institutions

How IDA Programs Work

IDA Programs usually are made up of the following components: Orientation, Assessment, Savings Plan Agreement, Financial Education Training, the Individual Development Accounts, Case Management, Asset Specific Training and Purchase of Assets. Following is a brief description of each of these components:

Orientation

An extensive Orientation for all those interested in applying to the IDA Program covers the basic principles of the Program and the application process. Also explained is the commitment required of IDA Program Participants.

Assessment

Before a participant is accepted into an IDA Program, they must undergo an assessment by the community-based organization operating the Program. This assessment includes an evaluation of interest, motivation, and ability to save, as well as determination of income and asset eligibility. Since IDA Programs are targeted to low-income families, all IDA Programs have income and asset eligibility. Following are the guidelines for two of the major IDA Programs in Connecticut, although eligibility requirements for other Programs might differ.

The eligibility requirements for the Connecticut IDA Initiative are:

- Individuals with earned income or a qualified disability whose household Adjusted Gross Income (AGI) is at or below 80% of the area median income for their town or residence
- 20% of participants in each Program must have an AGI equal to or less than 200% of the federal poverty level.

The eligibility requirements for the federal Assets for Independence Demonstration Program are:

- Participants must be working to be accepted into the Program.
- An individual is eligible if:

- They are a member of a household that is eligible for assistance under the State Temporary Assistance for Needy Families Program (TANF) or
 - They are a member of a household whose income is within 200% of the Federal Poverty Income Guidelines or
 - They are a member of a household whose Adjusted Gross Income (AGI) does not exceed the eligibility amount for receiving the Earned Income tax Credit for the size of their household.
- The net worth of the household, as of the end of the calendar year preceding the determination of eligibility, cannot exceed \$10,000, excluding a primary dwelling and one vehicle owned by a member of the household.

Savings Plan Agreement

The Savings Plan Agreement is a document signed by both the participant and the community-based organization operating the IDA Program. The Agreement reflects a commitment between the two. The Case Manager at the community-based organization works with each participant to develop their Agreement. The Savings Plan Agreement must be signed before a participant opens their IDA, typically after the third Financial Education class. (A sample Savings Plan Agreement is included in the Appendix.)

Financial Education Training

All IDA Program participants are required to attend a Financial Education course. This course is given by the community-based organization operating the IDA Program and is typically held over a 6-8 week period and consists of 10 to 16 hours of training. Completion of this course is a requirement of remaining in the Program. Covered in the Financial Education Training are topics such as: Credit Repair and Responsible Credit Use, Personal Banking, Home Finance, Investing, Financial Planning, and Taxes. The community-based organization often supplements the course content by bringing in experts from the community, such as bankers, credit counseling agencies and others, to speak to the class on their area of expertise.

Individual Development Accounts (IDAs)

Participants usually open their IDAs after the third Financial Education class. Sometimes the community-based organization will request that a bank representative attend a Financial Education class before participants open their IDAs. Many times, this is the first encounter that a participant has with a financial institution. By arranging for participants to meet a bank representative first, we can help reduce the anxiety for them and make their first visit to your bank a pleasurable experience.

The IDA contains only the participant's deposits; the matching funds are kept in a separate Reserve Fund and dispersed to the appropriate vendor when an asset is purchased.

Structure of Accounts

Your community-based organization partner will ask you to structure the IDAs as Custodial Accounts. This ensures that the participant can deposit funds into the account, but cannot withdraw funds without the signature of the authorized community-based organization staff member.

Emergency Withdrawals

IDA Programs allow for a participant to take an Emergency Withdrawal from their IDA for specific financial emergencies. If the Program allows such withdrawals, they can only be made with the written approval of the authorized staff member of the community-based organization.

Case Management

One-on-one Case Management is a critical component of any IDA Program. It is an ongoing process that lasts for the length of time that the participant is part of the Program. The Case Manager, who works for the community-based organization or a partnering agency, provides encouragement and support to help the participant adhere to their Savings Plan as well as ongoing counseling and crisis intervention.

Asset-Specific Training

Asset-Specific Training begins after participants complete the Financial Education classes. The purpose of this ongoing training is to ensure that participants receive information on resources needed to purchase specific assets and how to maintain their assets after purchase. Asset-Specific Training is provided through monthly Savings Clubs. Participants must attend these meetings for the duration of time that they are in the Program. Your community-based organization partner might ask for a representative of the bank to present information on a relevant topic to one of the Savings Clubs (e.g., How to Apply for a Mortgage).

Purchase of Assets

When an IDA participant is ready to purchase their asset, written approval of both the participant and the authorized staff member at the community-based organization must be obtained before the withdrawal is made. A check is written from the participant's IDA and a separate check is written from the account that holds the matching funds. Checks are only written to eligible vendors; for example, the seller of a home or institution furnishing a mortgage, an accredited school, or a business account established in a federally-insured financial institution.

Neither the community-based organization nor the partnering Financial Institution may require participants to purchase assets or any related services through any particular provider. Partnering Financial Institutions may provide information and offer incentives for services related to qualified assets, but these services shall be optional for participants.

Withdrawal From the Program

A participant might decide to withdraw from the Program and close their IDA for several reasons. These might include:

- The participant is unable to continue saving or adhere to the other requirements of the Program.
- The participant moves from the community to a location that makes it geographically impossible for them to continue in the Program.

Funds can be withdrawn from an IDA with the written approval of the participant and the community-based organization's IDA Program Manager. A participant who leaves the Program withdraws only the funds (their deposits plus interest earned) in their IDA – they DO NOT receive any matching funds or any interest accrued on the matching funds.

Role of Partnering Financial Institution

Financial Institutions and community-based organizations are vital partners in providing IDAs to low-income families. This partnership is formalized by a Partnership Agreement signed by the Financial Institution and the CBO. (A sample Agreement can be found in the Appendix.)

Financial Institutions hold the accounts and bring their experience in the financial world to the partnership. A community-focused attitude on the part of the Financial Institution benefits all parties. Specifically, partnering Financial Institutions should provide the following:

- No minimum balance or monthly fees on IDAs
- At least a market rate of interest; preferably higher
- Locations that are accessible to the target population
- Mail in, ATM, and direct deposit capability
- A contact person and a willingness to train staff about IDAs
- Assistance with Financial Literacy and Asset-Specific Training
- Assurance that Program procedures are followed
- If possible, duplicate monthly statements mailed both to the participant and IDA Project Director; ideally, the capacity for IDA Program staff to access monthly statement information electronically

Financial Institutions may offer auxiliary or complementary services to IDA participants, but may not require participants to use these services.

There is the opportunity for financial institutions to provide financial support to the community-based organization operating the IDA Program by providing matching funds or operating funds.

Unclaimed Funds

In the event that the CBO operating the IDA program loses contact with an IDA account holder, and needs to close their IDA, they will authorize the financial institution to convert the IDA to a regular savings account in the account holder's name. The financial institution will agree to charge no fees on the account, and will set up a system to ensure that the individual's account can be found (since as a regular savings account it will have a different account number from the IDA) if the individual returns in the future to claim their money. After the required amount of time, the financial institution will turn over the funds in the account to the Office of the State Treasurer as unclaimed property.

Role of Community-Based Organizations

Community-based organizations are crucial to effective IDA Program operation. They have experience working with the target populations and, in most cases, have an existing relationship of trust with them. Their roles include the following:

- Provide the resources to help participants build their personal and financial assets.
- Operate the program components that ensure and support participant savings, using best practices, including:
 - Orientation
 - Assessment
 - Determination of Eligibility
 - Acceptance into the Program
 - Financial Education Training
 - Case Management
 - Asset-Specific Training
- Create community partnerships to bring added value to the IDA Program.

Role of the Connecticut Department of Labor

The Connecticut Department of Labor (DOL) was designated by Public Act 00-192 as the Administrator of the Connecticut Individual Development Account Initiative. As part of its administrative duties, DOL performs the following functions:

- Establishes an Individual Development Account Reserve Fund to hold appropriations and private sector contributions for the administration of the Connecticut IDA Initiative, and for certified State IDA programs
- Certifies IDA programs in Connecticut regardless of funding source provided that such programs meet certain criteria based on the State law and recognized best practices. The State “certification” is like a seal of approval that indicates the Program Operator is in keeping with State and Federal Law, and follows recognized best practices. It is intended to facilitate program success and to encourage private sector contributions and other involvement in Certified State IDA Programs.
- Funds Certified State IDA Programs, following competitive Request for Proposal procedure(s)
- Establishes an IDA Clearinghouse to provide information about funding opportunities, best practices, and technical assistance to community-based organizations that operate or seek to establish Certified State IDA Programs

Benefits to Financial Institutions

The benefits to financial institutions that come from participating in IDA Programs are many. Among them are:

- Positive publicity derived from involvement with community programs
- Increased deposits in your financial institution
- New banking relationships with previously unbanked customers
- Possible future customers for mortgages, small business loans, etc.
- Community Reinvestment Act Credit
- Opportunity for increased community involvement through:
 - Providing contributions for match or operating funds
 - Participating in Financial Education and Asset-Specific Training classes
 - Assisting with design and implementation of IDA Programs

Contacts

Your local partnering Community-Based Organization is:

The contact person there is:

Name:

Phone:

Fax:

E-mail:

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Commonly-asked Questions

- Q. *Do a Financial Institution's activities in connection with Individual Development Accounts (IDAs) qualify for favorable consideration under the Community Reinvestment Act (CRA)?*
- A. Financial Institution participation in IDA programs comes in a variety of forms, including providing retail banking services to IDA account holders, providing matching dollars or operating funds to an IDA Program, designing or implementing IDA Programs, providing consumer financial education to IDA account holders or prospective account holders, or other means.

Partnership in an IDA program may qualify for favorable consideration in a Financial Institution's Community Reinvestment Act (CRA) evaluation under the lending test, the investment test and the service test.

The following illustrates activities that may receive CRA consideration:

Lending Test – A bank makes a home mortgage or small business loan to a low- or moderate-income IDA customer; a bank makes other consumer loans to low- or moderate-income IDA customers for IDA-eligible purposes; a bank makes a community development loan to an IDA service provider.

Investment Test – A bank makes a contribution of operating funds to an IDA non-profit service provider or sets aside its own internal matching or subsidy funds for an IDA Program.

Service Test – A bank provides low-cost accounts, such as free checking and ATM services, for IDA savers that increase access to financial services for low- and moderate income persons; a bank employee teaches financial education classes to low- and moderate-income IDA savers; a bank employee serves as technical advisor to the non-profit IDA service provider.

From the Office of the Comptroller of the Currency's article on IDAs: An Asset-Building Product for Lower-Income Consumers, which can be found at <http://www.occ.treas.gov/ftp/release/2005-25a.pdf>.

Q. *What are the tax implications of an IDA for the IDA Participant?*

A. The tax implications are as follows:

- Income tax is already paid on the funds in Participants' IDAs since deposits into IDAs are made with after tax income.
- Interest earned in the Participant's account is considered income to the account holder and is therefore taxable to the Participant in the year it is earned. However, many low-income families and individuals may, in fact, not pay any income tax in a particular year because their income is below the minimum level.
- The match money is considered a gift at the time it is paid out to purchase the eligible asset; it is NOT taxable income to the Participant.

Q. *What are the tax benefits to donors for making a contribution to an IDA program?*

A. Connecticut corporations and other businesses that contribute funds into the State's IDA Reserve Fund for Certified State IDA Programs receive Human Capital Investment Credits (HCIC). Contributors can specify the IDA Program for which they wish their contribution to be earmarked.

The Connecticut Department of Revenue Services administers the HCIC. For more information on contributions and on the tax credit contact the Connecticut Department of Labor at (860) 263-6794.

In addition, donations to any IDA Program operated by a tax-exempt 501(c)(3) organization are tax deductible to the donor as allowed by law.

Q. *Some states have, by statute, exempted interest on the IDA Participants' deposits from state income tax – has Connecticut?*

A. No, Connecticut has not exempted interest on Participants' IDAs from state income tax. However, most Participants do not earn enough income to make a difference in their tax liability.

Q. *Why should we subsidize the asset accumulation of low-income families?*

A. The government already subsidizes the asset accumulation of middle- and higher-income Americans – billions of dollars annually in the form of home mortgage deductions, preferential capital gains and pension funds exclusions. What is good for higher-income families should be good for low-income families as well.

A. *Are IDA Programs giveaway programs?*

B. No. Savings matches are not “giveaways.” Participants *earn* savings matches by saving their own hard-earned dollars and taking other steps to prepare for the future, including completion of a financial education course and attendance at asset-specific training. Providing match dollars is a way to help hard working low-income families and individuals build a more stable and secure future. Everyone benefits when more members of a community have the tools they need – the productive assets – to provide for themselves and their families. This same thinking has been behind government initiatives like the Homestead Act of the nineteenth century and the GI Bill following World War II.

Q. *How do we know IDAs will be used as intended?*

A. Provisions are built in to ensure compliance. Participants are informed of the eligible uses for IDAs, face penalties for misuse, and are motivated to comply because IDAs provide a route to their dreams. The community-based organization holds the matching funds in a separate account, and only writes a check at the time the participant is ready to purchase their asset. Checks are written only to eligible vendors: the seller of a home or institution furnishing a mortgage; an accredited school; or a business account established in a federally-insured financial institution. If a participant makes an unauthorized withdrawal from their IDA, they must withdraw from the program and forfeit the match.

Q. *What are some of the things that have been learned by those who have been working in the IDA field?*

A. Some of the things that have been learned are:

- Low-income individuals CAN save; they need to be shown that they can.
- It can take 6 to 9 months to change lifelong behavior around spending and saving.
- IDA programs must be multi-year programs.
- As people build assets, they build their self-confidence and self-esteem.
- Case Management and ongoing support groups are an essential part of the program.
- According to clients, the support and educational offerings are as important as the match.
- Involving the whole family increases the likelihood of successful asset building.



Individual
Development
Account
(IDA)
Program

Site: _____

SAVINGS PLAN AGREEMENT

1. IDA Program Participant's Name

Name: _____

Address: _____

Phone: (Home) _____

(Work) _____

(Cell) _____

2. Savings Goal: I am participating in the IDA Program in order to save toward the following Qualified Asset.

3. Schedule of Saving Deposits to the IDA:

Savings goal: \$_____

I will open my IDA no later than _____ and agree to save the following: \$_____ Weekly or \$_____ Bi-Weekly or \$_____ Monthly

4. Financial Education Classes and Asset-Specific Training/Savings Clubs.

I agree to attend the following, to be provided by (Name of Agency):

A. Financial Education Classes

- B. Asset Specific Training/Savings Club (monthly, for the duration of the time I am in the Program)

5. The IDA Account will be opened at the following financial institution:

Address: _____

Financial Institution Staff Member's Name: _____

Phone Number: _____

(Name of agency) agrees to establish an IDA on my behalf in a timely manner.

I understand that I can make deposits into my IDA by cash, check, money order or by direct deposit.

6. The IDA Account will be a Custodial Account. (Name of Agency) has worked with the bank to establish Individual Development Accounts in accordance with the requirements of the Connecticut IDA Initiative. The IDA Account will be governed by this understanding.

- ◆ The IDA Program participant will designate (Name of Agency) as the custodian of the account.
- ◆ IDA deposits must be from the participant's earned income and can be made in cash, check, or by direct deposit (electronic transfer) of funds.
- ◆ The IDA Program participant agrees to use this Account to purchase the Qualified Asset as stated in this Agreement.
- ◆ The funds in the participant's IDA will not be intermingled with other funds except that the program shall hold matching funds in a "Local Reserve Fund." Funds in the "Local Reserve Fund" may be invested by (Name of Agency) in order to endeavor to secure a higher yield.
- ◆ In the event of the participant's death, any balance remaining in the IDA shall be distributed within 30 days of the date of death to one of the following: a.) an IDA established for the benefit of an eligible individual, as directed by the participant in this Savings Plan Agreement or, b.) If no designee is named, to the participant's Estate.

My designee is: _____

- ◆ Any matching funds in the Local Reserve Fund shall be designated for another eligible IDA participant.

7. Match Rate for Participant's savings: (Name of Agency) will deposit into the Local Reserve Fund an amount of funds necessary to match the participant's deposit of earned income into their IDA account on a 2 : 1 (or a 1:1 basis) basis, up to a total of \$3,000. That is, for every \$1.00 that the Participant deposits into their IDA Account, (Agency) will deposit \$2.00 (or \$1.00) into the Local Reserve Fund. A participant who saves \$1,500 (or \$3,000) of earned income will have \$4,500 (or \$6,000) to use towards their Qualified Asset.

The participant is encouraged to strive toward a goal of \$1,500 (or \$3,000) in savings in order to merit the maximum allowable match. The participant may save more than \$1,500 (or \$3,000) in order to build assets at a faster rate; however, the match limitation will apply regardless of higher savings in the IDA. Any amount above the allowable goal should be deposited into a separate account opened by the participant in their own name. **No more than \$1,000 in matching funds can be earned in any one calendar year (excluding match of interest earned).**

8. IDA Account Withdrawals: Withdrawal of funds from the IDA cannot be made for any purpose until six months after the date on which the participant first deposits funds into their IDA. The withdrawal of any funds from the IDA by the participant, prior to six months from the date of the initial deposit, shall constitute the participant's withdrawal and termination from the IDA Program.

All withdrawals from the IDA require written approval of the participant's Case Manager and (Agency's) IDA Project Manager. Withdrawals are limited to purchase one or more Qualified Assets or an Emergency Withdrawal.

Qualified Assets: Qualified assets are limited to those allowed for the IDA program in which you are enrolled.

Emergency Withdrawals: An emergency withdrawal may only be from the funds deposited in the IDA by the participant (NOT the matching funds), for the following purposes: 1.) expenses for medical care or necessary to obtain medical care for the participant or a spouse or dependent; 2.) payments necessary to prevent eviction or foreclosure on a mortgage of the participant's principal residence; 3.) payments necessary to enable to participant to meet necessary living expenses (food, clothing, shelter, utilities) following the loss of employment.

Funds withdrawn for purposes of an Emergency Withdrawal must be replaced as soon as possible and no later than 12 months after the date of the Emergency Withdrawal. Failure to replace withdrawn funds shall constitute the participant's withdrawal from the IDA Program and the participant will be ineligible to receive matching funds.

Other Withdrawals: Should the participant decide to terminate their participation in the Program, the Project Manager shall authorize withdrawal of the participant's savings plus any income accrued thereon, with the understanding that the participant thereby loses any right to receive matching funds.

- 9. Contingency Plans:** The IDA participant and Program Staff will work together to avoid the emergency withdrawals of funds. The participant and Staff will identify crisis intervention activities in order to avoid the withdrawal of funds from the IDA. Funds withdrawn from the IDA for an emergency withdrawal must be replaced in accordance with contingency plans reached by the participant and Program Staff.

If the participant fails to meet projected savings goals or schedules, the IDA Program Case Manager will meet with him/her to determine the reason and to assist the participant in developing a plan to return to the agreed-upon schedule. If, after continued intervention by the Case Manager, the participant still fails to meet the projected savings goals or schedules, consideration will be given to terminating the participant from the program.

If, at the end of the program, the participant has not saved a sufficient amount that, with the matching funds, will allow them to purchase a Qualifying Asset, the participant's savings in their IDA, plus accrued interest, will be returned to them, without the matching funds.

- 10. Provision of Match for Qualifying Expenses:** (Name of Agency) will release matching funds from the Reserve Fund only for the purchase of one of the Qualifying Assets. Matching funds shall be payable to the vendor; matching funds will not be paid directly to the participant. Interest on the matching funds in the Reserve Fund will also be available for the purchase of the Qualifying Asset. No matching funds will be provided for an Emergency Withdrawal.

- 11. Savings Plan Agreement Amendment:** This Savings Plan Agreement may, from time to time, be amended with the concurrence of (Name of Agency) and the participant.

12. Unclaimed Funds: If (name of agency) is unable to contact you and if there has been no activity in your account for 6 months, (name of agency) has the right to convert your IDA to a regular savings account at (name of bank). Please note that fees and service charges might be charged to your account after it is no longer classified as an IDA, and these fees and service charges might result in the depletion of your savings. If you do not remove your funds, at some point they will be turned over to the Office of the State Treasurer as 'unclaimed property.'

13. The participant's participation in the IDA program shall not extend beyond the end of the grant period.

Agreed By:

(IDA Participant) Date

(IDA Program Staff) Date

CONNECTICUT INDIVIDUAL DEVELOPMENT ACCOUNT INITIATIVE

Sample Financial Institution Partnership Agreement

This agreement, between *IDA Sponsoring Organization* (“*SO*”) and *Financial Institution Partner* (“*FI*”), details a cooperative partnership related to the *IDA Program Name* (“*The Program*”) matched savings program.

WHEREAS:

1. Sponsoring Organization Description and Mission -- *SO* is a not-for-profit, community organization dedicated to helping people of limited economic means achieve economic independence and greater integration in their communities. *SO* believes asset development is an important strategy to help low-income families enter the economic mainstream and become more vital community members.
2. Financial Institution Description and Mission -- *FI* is a commercial bank that offers consumer financial services and products, including savings accounts insured by the Federal Deposit Insurance Corporation (FDIC). *FI* has a stated and demonstrated commitment to the communities in which it does business and recognizes the need to address poverty in these communities.
3. Program Description and Mission -- *SO* has chosen to establish The Program, a matched savings Individual Development Account (IDA) program, in order to help low-income individuals and families become homeowners, small business owners, graduates of post-secondary education programs, and owners of other Qualified Assets. The Program offers participants incentive savings matches, personal finance and money management education, peer and staff support, and individual counseling in order to make asset ownership obtainable. Program objectives include helping participants:
 - set realistic short and long term personal, financial, and asset goals;
 - design strategies to achieve their personal, financial and, in particular, asset goals;
 - acquire financial skills and knowledge in order to make informed financial decisions;
 - develop or improve fiscal self-discipline, self-awareness and patterns of regular saving;
 - improve self-esteem, self-confidence and assertiveness, particularly with regard to financial and consumer matters.
4. Intent to Enter Partnership -- *SO* and *FI* desire to enter into an agreement, under which *FI* will serve as a partner financial institution for The Program and a depository of Program participants savings, for the purpose of supporting The Program.

NOW THEREFORE, *SO* and *FI* both agree to the terms of this agreement as follows:

1. Scope of Services: *SO* -- *SO* agrees to provide the following services associated with The Program:

- to sponsor and administer The Program;
- to instruct Program participants how to open IDA savings accounts (as described in Section 3 below) at designated *FI* branch locations;
- to monitor Program participants' monthly savings activity in an effort to help them reach their savings goals and ultimately become successful long-term asset owners;
- to work with *FI* to develop procedures for Program participant qualified withdrawals (approved withdrawals of a participant's savings for his or her asset purchase);
- to cite *FI* as a key Program sponsor and partner in Program literature and Program publicity efforts.

2. Scope of Services: *FI* -- *FI* agrees to provide the following services associated with The Program:

- to establish interest-bearing custodial savings accounts (accounts with *SO* as custodian), with at least a market rate of interest (as detailed in Section 3 below), with no service or other charges added, for all individuals who *SO* accepts as Program participants;
- to maintain accounts in accordance with applicable State and Federal regulations;
- to provide that contributions to the IDA may be made either in cash, by check, money order or direct deposit;
- to provide that assets of an IDA, if invested, will be done in accordance with the direction of the participant after consultation with the grantee;
- to provide that the assets of an IDA not be commingled with other property except in a common trust fund or parallel account or common investment fund;
- to provide that in the event of a participant's death, any IDA balance is distributed within 30 days to another IDA established for an eligible individual as directed by the deceased participant in the Savings Plan agreement or to the designated beneficiary;
- to provide that procedures governing IDA withdrawals for qualified expenses or emergencies must comply with state or federal limitations or requirements;
- to provide data to *SO* about Program participants' savings account activity monthly (as detailed below in Section 4).
- to provide guest speakers for Program personal finance and money management workshops as needed, and when *FI* staff members are available.
- To provide assurance that *FI* shall not require an account holder to make any purchase or enter into any commercial transaction with a specific individual, business, financial institution or other entity;
- to orient *FI* staff and tellers about the objectives of The Program and Program participants' possible need for extra service, assistance or reassurance.

- to designate one contact person at each branch who will be responsible for coordinating all Program activity.
 - to consider making a financial contribution to *SO* to be applied toward the operating expense and/or matching expense associated with sponsoring the Program.
3. IDA Savings Account Features -- *FI* will offer savings accounts with the following features to Program participants:
- Each Program participant savings accounts will be a custodial account in which *SO* will be the custodian for the individual participant;
 - *FI* will assist participants in opening accounts;
 - *FI* agrees to maintain accounts in accordance with applicable State and Federal regulations;
 - *FI* agrees that program participants' deposits will earn the following interest rate (at least a market rate of interest) -- _____;
 - All *FI* regular monthly service charges or fees will be waived for Program participants' savings accounts;
 - Program participants will not need a minimum deposit to open Program savings accounts or maintain a minimum balance to avoid any monthly fees or penalties;
 - *FI* will offer direct deposit services, if desired by Program participant account holders;
4. Data Reporting -- *FI* agrees to provide Program participants' account data to *SO* monthly:
- *SO* and *FI* shall explore possible Electronic Data Transfer (EDT) of monthly data at such time as it becomes mutually convenient for both parties to consider EDT.
 - *FI* will provide updates to the *SO* and bank staff on the status of accounts and number of accounts opened.
5. Unclaimed Funds -- In the event that *SO* loses contact with an IDA account holder, and needs to close their IDA, the *SO* will authorize *FI* to convert the IDA to a regular savings account in the account holder's name. *FI* agrees to charge no fees on the account. *FI* will set up a system to ensure that the individual's account can be found (since as a regular savings account it will have a different account number from the IDA) if the individual returns in the future to claim their money. After the required amount of time, *FI* will turn over the funds in the account to the Office of the State Treasurer as unclaimed property.
6. Payment -- It is understood and agreed that neither party to this agreement assumes any financial obligation to the other as a consequence of this agreement.
7. Term and Duration -- This agreement shall be in effect from the date of the latest signature below. Changes can be made to this agreement by mutual written consent.

The agreement can be terminated with 30 days notice, upon written request from either party to the other. In the event *FI* initiates a termination of this agreement, *FI* agrees to allow Program participants who have already established Program savings accounts to maintain their accounts under the terms outlined in this agreement for at least six (6) months after the agreement terminates.

SO

Street Address
City, State Zip Code

(Executive Director / Authorized Rep.)

Date

FI

Street Address
City, State Zip Code

(Authorized Representative)

Date

Resources

- The Connecticut Department of Labor IDA website provides information on IDAs in Connecticut, including contact information for IDA programs, funding opportunities, past newsletter copies, Tips of the Week, and best practices, among other things. Go to <http://www.ctdol.state.ct.us/ida/idahome.htm>.
- *Assets and the Poor: A New American Welfare Policy*, by Michael Sherraden; M.E. Sharpe, Inc., 1991. Written by Dr. Sherraden, Director, Center for Social Development (SCD), Washington University, St. Louis, this is the book that introduced the IDA concept. It may be special-ordered in bookstores or ordered from the publisher at (914) 273-1800.
- The Corporation for Enterprise Development (CFED). CFED (777 North Capitol Street, NE, Suite 410, Washington, DC 20002) is a non-profit organization that advocates for asset-building policies. CFED has many IDA-related publications. Go to www.cfed.org or phone (202) 408-9788.
- The Administration of Children and Families of the U.S. Dept. of Health and Human Services administers The Assets for Independence (AFI) IDA Program. Their website is: <http://www.acf.hhs.gov/programs/ocs/afi/>.
- The IDA Learning Network, sponsored by CFED, includes overall, state-by-state, information on IDA programs and policy. You can log onto the Network at www.idanetwork.org.
- IDA List serve. CFED also sponsors an IDA list serve that is an excellent way to benefit from the shared information of other IDA programs. You can join the list serve by sending a blank e-mail to idanetwork-subscribe@cfed.org.
- The Center for Social Development's Website, <http://csd.wustl.edu>, includes information on asset-building research, state IDA policy, and American Dream Demonstration evaluation information. There are also many IDA-related publications that you can order through the website or by calling (314) 935-7433.
- Connecticut IDA Clearinghouse, provides information on funding sources, IDA policy initiatives, best practices, training opportunities and other information about IDA Programs in Connecticut and nationwide. For more information or to be put on the CT IDA mailing list, contact Marie Hawe at (203) 352-4851 or at mhawe@ctecap.org