

# Community Action Partnership of Mid-Nebraska Individual Development Accounts Guidelines

**Definition:** Community Action Partnership of Mid-Nebraska's Individual Development Accounts (IDAs) is a matched savings account program that is designed to assist low and moderate income working individuals in entering the financial mainstream by accumulating assets and completing a financial education course.

**History:** Throughout the history of the United States, the government has taken an active role in encouraging the acquisition of assets. Programs from the Homestead Act in 1862, the G.I. Bill of 1944, and legislation allowing IRA's and 401k programs have all had as their foundation, the opportunity for those of limited means to build assets. Within this frame work of asset building, the IDA concept was originally conceived in the early 1990's. In 1993, Iowa became the first state to enact an IDA program. In 1998, the Assets for Independence Act , providing funding for IDAs, was passed by the Federal Government. Today there are 33 states (Nebraska is not one of them) that have passed legislation or policies to govern the operation of IDAs. Of these 33 states, 19 provide funding to operate these IDA programs. There are approximately 540 community based and funded IDA programs operating in the United States including states that have not enacted policies or legislation regarding their function.

**How the Funds are Used:** IDAs may be used for one of three goals:

- (1) To purchase a home for participant
- (2) To pay for post-secondary education for participant or household member.  
(household member is defined as husband, wife, or son and daughter if they are still considered a dependent)
- (3.) To start or expand a business for participant and/or spouse.

**Source of Funds:** Administrative staff have pledged a total of \$60 a month for up to two years from personal funds to the Community Action Partnership of Mid-Nebraska's Trust Fund. From this sponsorship, three qualified staff members (priority) or non-staff members whose family income is less than 200% of poverty (see income chart for further clarification) will receive up to \$20 a month each. The individual participating in the program must match on a monthly basis, the amount donated through the trust fund on a 1 to 1 basis. This individual pledge will be matched on a 1 to 1 basis by the financial institution, Platte Valley State Bank & Trust Company (which will also be funneled

through the trust fund). If the participant has \$20 withheld from their paycheck a month, this would be matched by the Trust Fund pledge of \$20 and the financial institution pledge of \$20. If the individual takes full advantage of this program, their total funds saved would be \$60 a month or \$1,440 (principal only) over the two year program. Effectively tripling their money.

**Contract:** Each participant will enter into a contract with the Community Action Partnership of Mid-Nebraska. Under this contract the individual agrees to the following course of action:

- (1) Establish one of three goals; the purchase of a home; post secondary education, or the start of a new business.
- (2) Completion of the FDIC “Money Smart Course” (11 modules of computer home based, instruction: approximately 5-10 hours) within the two year contracted period.
- (3) Up to a two year term of savings.
- (4) Establishes the level of personal commitment of up to \$20 a month.
- (5) Agrees to payroll deduction of the agreed amount (or an acceptable alternative).
- (6) Establishes an account with the participating financial institution and agrees with the investment terms for their portion and the matching funds.
- (7) Provides sufficient documentation of income to qualify for the program. (must be below the 200% of poverty level established by AFI up to a family of 6, then be less than the 80% of median family income for the area as established by the federal government (see chart).
- (8) Must not have household assets that exceed **\$10, 000**. Household assets include the the aggregate market value of all assets owned in whole or in part by any member of the household; minus the obligations or debts of any member of the household and for the purpose of determining the net worth of a household, a household’s assets shall not be considered to include the primary dwelling unit and one motor vehicle owned by a member of the household.
- (9) Agrees to the terms of the “Community Action Partnership of Mid-Nebraska Individual Development Account Contract”.

Each source of match agrees to a two year commitment provided the participant follows the above course of action.

**Selection:** Priority will be given to staff at the Community Action Partnership of Mid-Nebraska who meet the income qualifications and agree to the terms of the contract. In the event of more than 3 qualified applications, a selection committee will be formed to evaluate the application. In the event that there are insufficient applications from within the agency, the program will be opened up to qualified individuals working with Family Development, Head Start, REAP or another program of the Community Action Partnership of Mid-Nebraska.

**Disbursement of Funds:** The participant may withdraw any portion of the amount that they have contributed from their personal funds *at any time subject to the availability of authorized account representatives*. However if this reason is not one of the contracted goals, (and this does not meet the Temporary Suspension qualifications): this will void the contract. In the case of a voided contract any interest accrued on the participants personal contribution will be reimbursed to the individual. The matching funds & the total interest earned on those matching funds will only be released upon the attainment of one of the contracted goals (see “How the Funds are Used”). This disbursement of matching funds or any funds from this account will require the signed release an authorized representative of the Community Action Partnership of Mid-Nebraska. In the event of a voided contract, the matching funds and any interest incurred on their respective contribution will be returned to the Trust Fund and applied to a new IDA participant.

**Additional Contribution:** The maximum contribution a participant can make is \$240 a year or \$20 a month to receive the corresponding match. If the participant chooses a personal monthly savings rate of less than \$20 a month, the participant will be allowed to contribute an additional amount each year (as defined by their enrollment date) of an amount equal to the maximum individual contribution allowed. If for example the participant agrees to a monthly contribution of \$10 a month (\$120 a year), they may be allowed to make an additional contribution of up to \$120 to maximize their allowable contribution and receive the corresponding match. The participant may be allowed to place additional personal funds over and above the maximum amount in the IDA savings account. These funds will not be matched, but will be allowed to accumulate interest subject to the financial institutions restrictions. Once in this account, these funds are still subject to the authorized withdrawal signature from the Community Action Partnership of Mid-Nebraska, but their withdrawal does not require a hardship provision nor void the contract.

**Temporary Suspension:**

In the event of an unexpected hardship due to an illness, vehicle or house repairs, or other event approved by the IDA committee, the participant may be allowed to suspend their contributions and/or withdraw their personal contributions for up to 90 days without voiding the contract. However matching funds will only be contributed on the amount that is restored to the IDA account within their anniversary date of their contract.

(Your wages must fall in the shaded area of the 200% of poverty up to a family of 5 and then the shaded area of the 80% of median family income for the family of 6 or more.)

**Current 2007 Income Guidelines:  
Income for applicant must fall within shaded area**

<b>Family Size</b>	<b>50% of Median Family Income (Buffalo County)</b>	<b>60% of Median Family Income (Buffalo County)</b>	<b>80% of Median Family Income (Buffalo County) CRA guidelines</b>	<b>200% of Poverty AFI guidelines 2008</b>
<b>1</b>	<b>\$ 20,000</b>	<b>\$ 24,000</b>	<b>\$ 32,050</b>	<b>\$ 20,800</b>
<b>2</b>	<b>\$ 22,900</b>	<b>\$ 27,480</b>	<b>\$ 36,600</b>	<b>\$ 28,000</b>
<b>3</b>	<b>\$25,750</b>	<b>\$ 30,900</b>	<b>\$ 41,200</b>	<b>\$ 35,200</b>
<b>4</b>	<b>\$28,600</b>	<b>\$ 34,320</b>	<b>\$ 45,750</b>	<b>\$ 42,400</b>
<b>5</b>	<b>\$30,900</b>	<b>\$ 37,080</b>	<b>\$ 49,400</b>	<b>\$ 49,600</b>
<b>6*</b>	<b>\$33,200</b>	<b>\$ 39,840</b>	<b>\$ 53,050 *</b>	<b>\$ 56,800</b>
<b>7*</b>	<b>\$42,540</b>	<b>\$ 42,540</b>	<b>\$ 56,750*</b>	<b>\$ 64,000</b>
<b>8*</b>	<b>\$45,300</b>	<b>\$ 45,300</b>	<b>\$ 60,400*</b>	<b>\$ 71,200</b>

\* represents an area where 200% of poverty (AFI) exceeds the guidelines for 80% of median family income (Community Reinvestment Act (CRA) guidelines).

**Enrollment Goal:**

**April of 2008:**

Mid will have enrolled three individuals in this program.

**September of 2008:**

Mid will have secured an additional match pledge to enroll another three individuals in the program (staff or non-staff).

**September of 2009:**

Mid will have enrolled a total of 10 participants (staff or non-staff)

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**Program Goals:**

**Goal 1:**

Provide a basis for increasing an individual's financial literacy via the FDIC Money Smart Course.

**Goal 2:**

Assist individuals & families in obtaining long term asset accumulation goals.

**Goal 3:**

Design and implement a program that other employers/financial institutions may choose to participate in.

**Goal 4:**

Work in conjunction with Nebraska Community Action agencies to secure Federal and/or State funding to enhance and increase the availability of match dollars.

