

Individual Development Accounts and Credit Unions: A Program Design Manual

**A Manual for Credit Unions Exploring the Feasibility of and Taking
the Steps to Create Individual Development Accounts**

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Introduction

What are Individual Development Accounts?

Individual Development Accounts (IDAs) are special savings accounts that are designed to help people build assets for increased financial self-sufficiency and long-term economic security. IDA holders (sometimes called IDA participants) save their own dollars in these accounts for a specified period of time. After reaching their individual savings goal, these savers receive matching funds to be used for a specific purpose. These purposes include, but are not limited to, buying a home, post secondary education, or starting (or expanding) a small business (other possibilities include retirement accounts or youth accounts). Savings are matched on a per dollar basis by public and/or private funders. These matching funds are typically raised by the community-based organization that is hosting the IDA program. These community-based organizations may be financial institutions (such as credit unions or community development banks) or the staff or volunteers of other entities such as community action agencies, community development corporations, public housing communities, or other organizations. Financial education for the holder of the IDA is a critical part of the IDA program. This part of the IDA program helps depositors in correcting credit problems, establishing a budget and savings schedule, and determining a long-term money management plan.

IDA participants may be existing members of credit unions, those who are eligible to use community action agency services, public housing residents, or others who meet individual IDA program requirements. IDA programs generally have income guidelines for qualified participants because the goal is to address the “gap” in asset growth among low wage earners.

IDA programs have finite lengths of time for program participants. Often twelve months of IDA program participation are used as a minimum, with 48 months often used as a maximum. Each IDA program determines the minimum and maximum lengths of participation for their program participants. IDA programs should be sensitive to programs being too short to meet participant long-term needs, and sensitive to the possibility of participants feeling that program lengths are so long as to be not reasonably attainable.

The Individual Development Account program is not a government program. However, former President Bill Clinton and President George W. Bush have both endorsed IDAs as a good method of saving for future financial security. IDA programs are often started by community organizations or local associations that are interested in helping people help themselves. IDA programs are typically collaborative partnerships involving one or more community-based organizations, a financial institution, along with private and/or public sources to provide matching funds. Financial education is a key part of an IDA program. Basic financial education can be important in convincing individuals with low-incomes of the benefits of saving,

in assisting members struggling to meet existing debt burdens, or in establishing longer-term financial plans.

Benefits of Individual Development Accounts

IDAs allow savers to find out how much they have to offer themselves financially, and how important these financial gains can be. These special savings accounts give savers with lower incomes opportunities to increase their wealth that have been available only to more affluent persons. The ability to have the IDA holder's savings matched (which is built into the IDA program) is a benefit that allows one to quickly build wealth toward a strong financial foundation. The relationship that a saver establishes with a credit union or bank, through this IDA program, may help them form a long-term future relationship. The IDA holder also benefits from specialized financial education that includes credit counseling, budgeting, and establishing a sound savings schedule.

Why Credit Unions?

With more people moving off welfare yet unable to access tax and other incentives available to those with higher incomes, community development and low-income designated credit unions offer both a compatible mission with IDAs as well as an effective model of service delivery. In a 1999 study of the feasibility of community development credit unions starting and managing IDAs, the CUA visited twenty-three credit unions in sixteen states that were offering IDAs. Each of those credit unions offered IDAs and were planning to continue offering them to their members.

Savings, financial education, incentives, accessibility, and products are financial tools designed to bring low-income individuals into the mainstream financial world. Having members reach financial self-sufficiency is the goal of both credit unions and the IDA asset building strategy.

A strength associated with credit unions as the IDA host organization, is their role and function as a community-based financial institution. By offering IDAs through credit unions, lasting partnerships are created between the saver and the community-anchored credit union with its member-tailored services aimed toward building individual financial stability.

Credit union members' ability to sustain their effort to save earned income and build assets through continual investment behavior is directly linked to the community credit union whose practice is its mission: to create a community arena within which individuals with low incomes can access financial services to meet their long-term financial savings and asset building needs. The credit union serves both as a community partner, and as the financial services provider for individuals by existing as a vehicle for the practice of saving and building assets.

How to Use This Manual

The purpose of this manual is not to provide a detailed explanation of Individual Development Accounts (IDAs). Rather, this manual provides a concise yet realistic portrayal of the steps necessary to explore, plan, and implement an IDA program at your credit union. In-depth information about Individual Development Accounts and the organizations that offer these creative, savings mobilization tools is available in this manual's Appendix.

At the beginning of each section is a checklist of issues that need to be investigated during that stage of program development. It is recommended that you track your progress towards accomplishing each item by using the boxes provided to indicate whether you *need more information* before you can complete your investigation, whether addressing that item is *in progress*, or whether your investigation of that item has been *completed*.

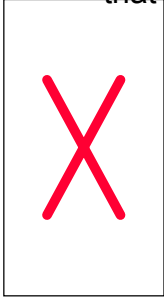
If you are uncertain about the meaning of a checklist item, look in the pages that follow to find a concise description of each item and an example of a resolution or steps toward a resolution. Please keep in mind that these are only examples, and that your credit union's solutions will be tailored to develop a highly individualized IDA program, which meets the specific needs of your credit union community.

Please note that due to the concise nature of this manual and due to the organization of information into developmental sections, an item may be addressed in more than one section. Also note that items are organized by topic, not necessarily in perfect chronological order. Expect that some items will need to be developed simultaneously.

Designing and Implementing IDAs

Assessing the Feasibility of Creating IDAs

The following checklist will help determine if an IDA program is a service that your credit union is willing and able to provide.



- 1. Articulate vision and principles of servicing low-income members
- 2. Assess current relationship with low-income community
- 3. Understand the components of an Individual Development Account
- 4. Identify credit union goals for an IDA project
- 5. Revisit your mission statement to ensure that an IDA project supports that mission
- 6. Explore the credit union's strengths, weaknesses, opportunities, and potential threats in establishing an IDA project
- 7. Identify additional cost considerations
- 8. Conduct a community resource assessment
- 9. Assess staffing demands
- 10. Identify project decision-makers
- 11. Describe the proposed IDA project
- 12. Identify a strategy to gain board approval

Feasibility Issues

1. Articulate vision and principles of servicing low income members

As non-profit institutions, credit unions' missions often include providing financial services to low-income members of their communities. What is your vision for providing these services to the low-income members in your community?

Example: We want to expand access to inclusively provide transaction services and savings opportunities to the low-income members in our community.

2. Assess current relationship with low income community

How does your credit union already service members with low incomes? Does your credit union have a low, moderate, or high proportion of low-income members? Are there potential low-income members who have not joined the credit union because they are not aware of your services? Do you have existing outreach programs for these members?

Example: As a community oriented credit union with a high proportion of low-income members, we service the needs of the members we have, but there are many others in the community that could benefit from our services if we could reach them.

3. Understand the basic components of an Individual Development Account (IDA)

Individual Development Accounts have four components: education about saving, incentives for saving, regular savings deposits, and achieving an asset building goal. Each financial institution creatively develops and integrates these components so that the end result is an IDA program that is as unique as the credit union that creates it.

Example: IDA's require a commitment from the account holder and the financial institution. The account holder agrees to make regular savings deposits towards an asset-building purchase, and agrees to learn more about saving. The financial institution agrees to provide savings education and agrees to be a conduit between account holders and incentive providers.

4. Identify goals for an IDA project

How does the IDA program add value to the credit union? Do you hope the IDA project will increase your membership, fulfill a requirement to contribute to your community, or better serve the membership of your credit union? Identifying and understanding why an IDA project is important to your credit union will help direct its development.

How does the IDA program add value to the financial health of its members? Does having an IDA program bring a member closer to buying a first home, go to college, or start/expand a needed community business?

Example: We see the IDA project as a benefit for many of our current members. The

IDA is a tool that we can offer to help develop these members from transactors into savers and eventually into owners. The IDA is a tool that can build the personal assets of members, the assets of the community, and the assets of this credit union.

5. Revisit your mission statement to ensure that an IDA project supports that mission

Does establishing an IDA program fulfill an aspect of your credit union's mission? Consider the guiding principles of your credit union: does your mission include providing financial services to all members of your community, including low-income members? If not, rewriting your mission statement may help focus and direct your choice to implement an IDA program.

Example: The Anytown Credit Union is a member-owned financial institution whose purpose is to promote the financial well-being of all its members by providing comprehensive and progressive financial services.

For more information: Writing a mission statement, www.nonprofits.org/npofaq/03/21.html

6. Explore the credit union's strengths, weaknesses, opportunities, and potential threats in establishing an IDA project

Understand the opportunities and problems that implementing a new program may entail. This analysis provides a realistic outlook of how you can apply your strengths and how you might shore up weaknesses when tailoring an IDA program to fit your credit union. Consider such topics as: your credit union's population and the potential target consumers of an IDA program; your experience providing financial information and education to members; your capacity for networking with organizations outside of the credit union; and staffing.

Example: Our credit union has a history of outreach, partnering with schools and churches to educate members and potential members in financial matters, which would be a strength developing an IDA. A potential threat to our IDA initiative may be our current staff members' resistance to the implementation of a new program. Opportunities include increasing credit union membership and fulfilling our credit union's mission of community development. A weakness that would need to be addressed is our lack of experience accessing match fund sources.

For more information: An analysis of strength, weaknesses, opportunities and threats (SWOT) analysis, <http://www.apeo.org/guide/forms/form3.htm> : an example of a SWOT analysis, <http://www.mindtools.com/swot.html>

7. Identify additional cost considerations

Implementing any new program incurs cost. Costs may include expenses such as labor or supply costs. Have a realistic understanding of the costs involved in establishing an IDA program.

*Example: Establishing an Incentive Provider partnership – 25 labor hours
Maintaining Incentive Provider partnership – 2 hours/month
Education Program development – 4 labor hours/month
Developing an IDA procedure manual – 2 labor hours
IDA Marketing Material: 1000 flyers for \$220.00*

8. Conduct a community resource assessment for potential partnerships

Community resources are any existing groups or organizations that may provide your credit union with assistance in creating an IDA program. Such a resource may be a great candidates referral source, may provide space, supplies or information for the education component of your IDA program.

Example: Our local Michigan State University Extension office already has a homeownership/asset building education plan that they are willing to share with us. The local HEAD START program is willing to share space in their building for our education program; in return, we can offer HEAD START parents an opportunity to apply to become IDA account holders. We have discussed with a local manufacturing company the possibility of having them provide match funds for their employee IDA savings.

9. Assess staffing demands

Once established, an IDA may be a package of services offered to individuals who have specific savings goals. However, setting up a new program requires dedicated time and effort. Does your credit union staff have time to take on an IDA project? Who will be responsible for establishing and then maintaining an IDA program? Some credit unions have successfully applied for a VISTA to assist with the time-intensive start-up. Consider who is available to coordinate your IDA initiative.

Example: Janet, currently a part-time loan officer, is available to work full-time to establish an IDA program. Member Service personnel will be trained to identify IDA account holders and process IDA transactions. Loan department personnel who currently handle collections and defaulting loans will be trained to identify if these members are potential IDA candidates. After establishing the program, Janet is available to work up to eight hours a month to maintain IDA partnerships.

10. Identify project decision-makers

Either an individual or a committee as the point person or decision making body. The decision-maker's responsibilities include being aware of how the IDA program fits within the community, keeping implementation activities on track, and tailoring the IDA program to fit with your credit union's other programs.

Example: If an issue regarding an IDA arises, the staff will present the problem to Janet and/or Jose who are the team coordinating the IDA initiative. They will be the team in charge of assessing the situation and developing recommendations for a resolution to the issue. Terri, the managing director, will consider those recommendations and will ultimately be the final decision-maker for the Anytown Credit Union's IDA program.

11. Describe the proposed IDA project

Each IDA program is unique, tailored to the circumstances of each financial institution and the IDA holders. Each credit union has the flexibility to set the criteria for who may hold an IDA, what kind of asset-building purchases will be eligible for the program, what the education element will entail, how much and how often deposits are made into the IDA, and who will provide the program incentives. Each component of the IDA program should be purposefully designed to help IDA holders reach their savings goal and to help credit unions reach their specific institutional goals.

Example: The Anytown Credit Union proposes to establish an IDA program in which:

- *eligible participants are members whose income is 80% or below the Area Median Income*
- *eligible asset-building purchases include tuition for post-secondary education or training, down payment for homeownership, or funds for a business start-up*
- *participants must attend at least four of the following six workshops :*
 - *Why Assets Matter*
 - *Spending and Saving Behavior*
 - *Making and Keeping a Budget*
 - *Credit Repair*
 - *Turning Income into Investments*
 - *Exploring Anytown Credit Union's Financial Services*
- *participants must make minimum deposits of \$5/week, at least 45 times during a 52 week period*
- *Anytown Credit Union will partner with Anytown Foundation to provide match funds for asset purchases of qualifying participants; Anytown Credit Union will actively recruit new incentive partners through marketing and our newsletter*

For more information: RE: an example of an IDA Program design

<http://www.nascsp.org/files/ida.pdf>

12. Identify a strategy to gain board approval

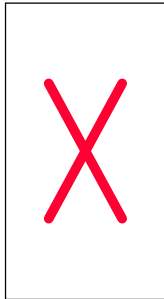
Most credit unions have a board of directors that must approve the implementation of a new program. What aspects of your envisioned IDA program are the strongest “pulls” for involving your credit union? Will this program help to fulfill your credit union’s mission of service, education, or community development? Will this program increase credit union membership or will it provide more services for current members? Pick two or three of the most persuasive reasons and develop those into a coherent presentation.

Example: According to our data, up to 35% of our current members are potential participants in an IDA program if we offered one at this credit union. Implementing an IDA program would fulfill our mission to “offer comprehensive services” to our members.



Planning and Implementation

The following checklist will identify specific tasks necessary to plan and implement an IDA program in your credit union. Use the information gathered during the Feasibility Stage as a starting point for developing more detailed action plans.



A. IDA Program and Administration

- 1. Define IDA program goals and objectives
- 2. Determine the scale of the program
- 3. Create a budget
- 4. Secure adequate administrative funding
- 5. Determine what IDA information needs to be collected and managed
- 6. Choose a record keeping and/or MIS system
- 7. Design mechanisms for on-going participant support
- 8. Establish a comprehensive marketing strategy

B. IDA Participants

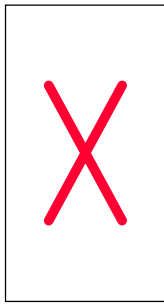
- 1. Determine eligibility criteria
- 2. Execute marketing plan to reach eligible IDA candidates

C. IDA Assets

- 1. Identify asset preference and/or need within your community
- 2. Determine 'permissible uses' for asset purchase

D. IDA Incentives

- 1. Identify incentives for savings that already exist
- 2. Assess existing match sources
- 3. Identify "gives and gets" for potential incentive-providing partners



- 4. Execute marketing plan to reach potential incentive providers
- 5. Form an advisory board/steering committee to communicate with partners
- 6. Define roles, responsibilities and expectations of partnerships
- 7. Assess whether the credit union can hold match funds
- 8. Create document(s) for partnership agreement(s)

E. IDA Financial Education

- 1. Develop a clear set of goals for the core financial education
- 2. Develop a clear set of goals for each preferred asset
- 3. Identify existing financial education products or services within the credit union
- 4. Identify existing asset information or services within the credit union
- 5. Identify organizations within the community who may provide financial instruction
- 6. Design core and asset-specific training
- 7. Schedule specific lessons, instructors and locations for financial workshops
- 8. Execute marketing plan to promote financial workshops

F. IDA savings

- 1. Determine the account structure of the IDA
- 2. Establish built-in incentives for IDA accounts
- 3. Establish savings period and savings ceiling of IDA account

A. IDA Program and Administration

A1. Define IDA program goals and objectives

Goals are general outcomes that you hope to achieve, whereas objectives are specific and measurable events that are intended to help reach your goal. Setting goals and objectives will help direct your credit union's efforts to implement a successful IDA program.

Example: Our IDA program goal is designed to provide opportunities to individuals so that they can develop a greater understanding of financial decision-making, develop habits, which promote financial self-sufficiency, and acquire sustainable assets.

Objectives include implementing the IDA program by July 1, opening 12 new IDAs within the first four months, providing quarterly financial education workshops for IDA members and the community, and developing a partnership with at least one incentive provider.

For more information: RE: developing goals and objectives,
<http://www.umich.edu/~salead/resources/setting.goals.html>

A2. Determine the scale of the program

Can your credit union administer four, fourteen or forty IDA accounts? This decision is affected by a number of items, including the amount of incentive funds you will have available, the ratio of savings/match funds your program will offer (i.e. 1:1, or 1:2), and your staffing ability.

Example: Our IDA program aims to develop 12 IDA accounts, with a savings ceiling of \$2500 per account and incentive match funds of 1:1. Therefore, we will need to secure incentive funds of up to \$30,000.

A3. Create a budget

The budget for initiating an IDA program will vary widely depending on a variety of factors. For instance, some credit unions that already have strong relationships with the low-income community or low-income service providers may find their marketing costs much lower than a credit union with limited exposure to this potential membership base. Include in your budget labor costs, supply costs, and marketing costs. Look for help with operational costs from existing programs dedicated to community development. For instance, radio Public Service Announcements may be used to market education workshops offered to IDA members and the greater community. MSU Extension may be a great resource for grant writing and financial education assistance.

Example: Anytown Credit Union has budgeted 1600 labor hours to establish an IDA program and eight labor hours a month to maintain the program. \$900 has been allocated for supply costs and marketing materials.

A4. Secure adequate administrative funding

Gain board approval of necessary administrative funding. Use the “strategies” developed in the Feasibility Stage to persuade the board to support the IDA initiative. Clearly outline the proposed budget and the purpose of the program.

Example: After discussing for several months the pros and cons of establishing an IDA program at Anytown Credit Union, Jerry asked the board to vote on approving the necessary funding for establishing the program.

A5. Determine what IDA information needs to be collected and managed

Deciding which information is ‘necessary’ will be determined by how your IDA program has been structured. In addition to regular account holder information, ‘necessary information’ might include account-holder attendance at educational workshops or tracking the regularity of savings deposits.

Example: Anytown Credit Union needs to confirm income requirements of IDA holders and track IDA participants’ attendance at workshops.

A6. Choose a record keeping and/or MIS system

Assess whether your current credit union information management system or record keeping system is sufficient to handle IDA information requirements. If not, consider whether your current MIS system can be expanded to do so or if a supplementary system needs to be established. The Center for Social Development at Washington University offers MIS IDA. (see Appendix under National Resources).

Example: Anytown Credit Union computer system already has a field dedicated to income on the “Account Holder Information” screen. However, their current system can not track attendance at educational workshops. Pamela decides to implement a paper and ink “card system” to track members attendance at workshops.

A7. Design mechanisms for on-going participant support

There are a variety of mechanisms that would support ongoing IDA participation. The purpose of these mechanisms is to encourage and support continued participation – and to identify problems, which might threaten participation before an IDA account holder drops out of the program. A mechanism might be as simple as a follow-up call to a participant who has missed two consecutive scheduled deposits or one scheduled financial education workshop. A different mechanism might be to divide participants into small groups and encourage them to support each other through the IDA program.

Example: Anytown Credit Union’s IDA participants are required to “call in” if they are going to miss a scheduled financial education workshop. If two consecutive workshops are missed, Valerie, the IDA program director, will contact the participant to determine if there is a problem that is keeping them from fully participating in the program. This policy has been discussed with participants when they enroll in the IDA program.

A8. Establish a comprehensive marketing strategy

Your credit union will need a strategy to reach potential IDA participants, including account holders, recruiting partners, educational partners, and incentive providers. Identify marketing vehicles that already exist within your credit union, such as newsletters or service brochures that may be used for IDA promotion. Your credit union may want to create new marketing material or promotional tools to reach specific audiences.

Example: Anytown Credit Union will use their current monthly newsletter to announce the upcoming IDA program and generally solicit inquiries about the program, including specific contact information. Letters will be developed for recruiting potential community partners, educational partners, and incentive providers. Additionally, six brochures will be developed, each targeting a specific target audience: "Savings plans for starting your own business", "Savings plans for homeownership", "You CAN start saving!", "Building community through financial education", and "Building community by supporting economic self-sufficiency".

B. IDA Participants

B1. Determine eligibility criteria

Each IDA program can be tailored to fit the needs of your credit union community. The concept of the IDA is to help serve low-income populations, but defining "low-income" can vary from community to community. Participant eligibility may be based on income level, earned income level, or overall net worth. In determining eligibility, consider which groups are most likely to benefit from the program, which groups are most likely to be supported by incentive providers, and which groups are most likely to succeed in your program.

Example: Our Town Credit Union is offering an IDA program to participants whose income is 175% or below the federal poverty guidelines.

For more information: RE : Area Median Income

www.efanniemaecp/hcd/single_family/ref_tools_info/hud_median_inc_limits.jhtml

B2. Execute marketing plan to reach eligible IDA candidates

Are you ready to start recruiting IDA account holders? Your marketing plan may target your traditional membership base, or extend into the community to reach new members who fit your criteria, or both.

Example: Anytown Credit Union newsletter announced the opening of their new IDA program. Brochures about the program were displayed at teller windows in the credit union and at the local HEAD START Program.

C. IDA Assets

C1. Identify asset preference and/or need within your community

Each credit union can determine which assets may be considered “acceptable” for IDA purchase. Traditionally, asset purchases are limited to appreciable items, but consider the needs within your community. If local housing prices are extremely high, could saving for a mobile home be considered an asset purchase? If your community lacks a mass transit system, could saving for a car be considered an asset purchase? The asset purchase element of an IDA program can be tailored to meet the needs of the community it is serving.

Example: Our Town has a fair amount of affordable housing within the city limits. However, many of the houses owned by low-income families are in need of structural maintenance or repair. Because of this need, saving for “home repair or improvements” may be considered an acceptable use for an IDA asset purchase.

For more information: RE: assessing community needs,
<http://www.hec.ohio-state.edu/famlife/bulletin/volume.1/bull12a.htm>

C2. Determine ‘permissible uses’ for asset purchase

Based on the needs within your community, determine which assets may be considered “acceptable” for an IDA purchase.

Example: The IDA committee decided that homeownership, home repair, business start-ups, education, or automobile purchase would be the only “acceptable” purchases of their IDA program.

For more information :
RE : Homeownership www.fanniemae.foundation.org RE : Small Business www.sba.gov

D. IDA Incentives

D1. Identify incentives for savings that already exist

Incentives are programs, policies, services, or rewards that support an IDA holder's savings mobilization efforts. When thinking of incentives, explore the possibility of packaging existing financial services that create a ladder for a member's growth: from unbanked to transactor, from transactor to saver, from saver to borrower. This *is* the essence of an IDA program. Examples of incentives are: interest bearing savings accounts, additional services such as check cashing, non fee money orders, direct

deposit or electronic funds transfer, debit cards, direct bill paying, all of which may already be in place at your credit union. Include these incentives in material marketing your IDA program.

Example: All savings accounts at Our Town Credit Union include member services such as free check cashing and low-interest credit card applications.

D2. Assess existing incentive sources

Existing incentive sources may be asset-specific. If “homeownership” is an acceptable IDA purchase, network with other sources that might assist with down payment assistance, such as the VA, Fannie Mae, or Habitat for Humanity. If “education” is an acceptable IDA asset purchase, network with vocational or community colleges which might offer scholarship programs. Communicate with existing organizations that share your mission of individual and community development.

Example: After meeting with the local community college, it was discovered that the income eligibility standards of the college for issuing grants were similar to the income eligibility standards of Anytown Credit Union’s IDA program. The college stated that it was highly likely that a minimum amount of grant funds would be accessible to IDA participants upon enrolling at the college.

D3. Identify “gives and gets” for potential incentive-providing partners

Provide all potential incentive providers with a clear explanation of IDA goals. While it may be evident what the IDA program is getting from a potential partnership, you should be specific about what the potential incentive-provider will receive from the partnership. Each potential incentive provider might have a different idea about what they “get” out of supporting your IDA. A local community organization might contribute as a means of empowering the local community; a corporation might contribute as a means of establishing good public relations; a national foundation might contribute as a means of promoting their mission for encouraging economic self-sufficiency. Be prepared to tailor your communications with a potential partner to underscore how a partnership might benefit the incentive provider.

Example: After discussing how the Our Town Credit Union IDA program can increase family and neighborhood stability through homeownership, Community Church has agreed to become a partner by annually sponsoring Four IDA accounts. Our Town Manufacturing has agreed to become a partner by providing match funds for their employees’ IDA accounts; Our Town Manufacturing sees this as an opportunity to be involved in community development while providing an employee “perk” that might increase employee recruitment and retention.

D4. Execute marketing plan to reach potential Incentive Providers

An effective marketing plan to reach potential Incentive Providers will probably include

letters and follow-up calls to identified potential donors. Also use established marketing tools, such as credit union newsletters or brochures to invite Incentive Provider relationships.

Example: The IDA Program Director composed a letter to potential Incentive Providers, describing how IDAs work, why they are an important part of community development, and the crucial role played by the Incentive Provider. Having identified seven community organizations and two state organizations as potential Incentive Providers, she plans on personally calling these organizations two weeks after this mailing. Additionally, an article in the Anytown Credit Union newsletter described the new IDA program and invited members interested in becoming partners in the program to contact her.

D5. Form an advisory board or a steering committee

Once a commitment to a partnership has been made, establish a method of mutual communication such as an advisory board or steering committee. Establish a schedule and the means for routine contact.

Example: The non-profit organization, Community First, has agreed to be an Incentive Provider partner for Our Town Credit Union's IDA program. The advisory board for this relationship will consist of Paula and Juan from Community First and Joanne from Our Town Credit Union. Communication will be primarily via email as Joanne advises Paula and Juan about the development of the IDA program. They plan to meet twice a year to review the progress of the program and to transfer necessary funds.

D6. Define roles, responsibilities and expectations

Once a commitment to a partnership has been made, clearly define the responsibilities of the credit union and the partner. Be sure to clearly address questions such as how much access the partner will have to the personal information of IDA account holders, how the credit union will substantiate participant completion of the program, and where match funds will be held until disbursed for an asset purchase.

Example: The community development organization, Community First, will provide \$7500 in match funds for Any Town Credit Union's IDA program. The credit union will hold the funds in an interest bearing account until disbursement for a participant's asset purchase. The credit union will be solely responsible for tracking participant's progress through the IDA program. At the completion of an asset purchase and the disbursement of funds, the credit union will provide Community First with a descriptive but non-identifiable profile which tells the story of the IDA participant(s) that benefited from their contribution.

D7. Assess whether the credit union can hold match funds

Some incentive providers allow credit unions to hold the match funds in a protected account until the credit union determines that an IDA participant has successfully completed the program. Other incentive providers release funds only at the time of the asset-purchase transaction. Be sure that your credit union and your incentive providers share an understanding about when and how incentive funds will be released.

Example: The Community First foundation has agreed to immediately release funds directly into Our Town Credit Union's match fund account. Community First expects semi-annual reports detailing the disbursement of those funds.

D8. Securing Match Funds: Locating Existing Sources and Creating Your Own

Match funds are one of the most difficult savings incentives to identify and capture. Yet, match funds are a key component of IDAs, and must be secure before offering IDA accounts to members. There are federal and state sources of IDA match funds; each have specific eligibility requirements for organizations as well as criteria for using these funds. These grant-related requirements are important because they guide how money can be spent. If the match funds source expects the credit union to fulfill specific responsibilities or expects specific outcomes from IDA holders, the credit union may want to consider whether or not the source of the funds fit with the overall guiding principles of the credit union's IDA program. The credit union may decide to leverage internal funds with community based sources of charitable funds (like the United Way, Rotary Charities). Credit unions offering IDAs might pull together other credit unions to investigate the Michigan Credit Union League Foundation's capacity to raise match funds on behalf of their member credit unions.

Match funds, according to effective practice findings, are recommended to be kept separate or not be co-mingled with IDA savings accounts. Match funds could be kept in a separate account within the credit union, or an agreement between the match fund source and the credit union written so that the credit union draws down the money and directs the match toward the actual asset purchase.

For excellent information about raising match funds, please check the Corporation for Enterprise Development's IDA Handbook. <http://www.cfed.org/>

D9. Create document(s) for partnership agreement(s)

Partnership agreements should include a clear understanding of each partner's involvement in the IDA program, including who has access to IDA participants' financial information, who monitors participants' progress, and under what condition match funds will be released, and mechanisms for partnership communication.

Example: Anytown Credit Union has established a partnership with the MRMC Foundation, which will provide \$20,000 to be used for IDA program match dollars for IDA's holders who use their savings and match funds to expand their small business.

The credit union will administer the IDA accounts and hold the match funds in a non-member deposits account. As part of the agreement between the credit union and the Foundation partner, not less than four weeks prior to the disbursement of match funds to the designated vendor of the IDA asset purchase, the credit union will provide a record of participant compliance to the Foundation.

E. IDA Financial Education

E1. Develop a clear set of goals for the core financial education

Financial education should be designed to meet the participants where they are when they start the training and build on that knowledge. Common core components usually include the topics of asset building, budgeting, and money management, credit repair, and purposeful saving. Additional topics related to the IDA holder's goals may include the use of financial services that help build financial security, insurance, or tax preparation. An excellent source of help at the community level is Michigan State University Extension. Check out their website at <http://www.msue.msu.edu/home/>.

Example: The core financial education component of our IDA program will focus on building skills necessary to become success savers. Therefore, topics will include financial assessment, decision-making, budgeting and asset building.

For more information: RE: financial literacy program, http://www.idanetwork.org/index.php?section=initiatives&page=financial_literacy_initiative.html

E2. Develop a clear set of goals for each preferred asset education

By developing a clear set of goals and offering information on “preferred assets” you will be able to direct your IDAs education component so that it will be most meaningful to IDA participants.

Example: Asset-specific education should enable IDA participants who have committed to obtaining a specific goal to understand the process of obtaining and maintaining that asset by the time of their asset purchase.

For more information: RE: homeownership, <http://www.freddiemac.com/homebuyers>, RE : entrepreneurship, <http://www.sba.gov/ed>

E3. Identify existing financial education products or services within the credit union

Assess if any financial education products already exist at your credit union that may be used or modified to develop the financial education component of your IDA program.

Example: Twice a year, Our Town Credit Union offers a 90-minute workshop on “Balancing your Budget”. With little modification, this workshop, presented by Our Town’s loan officer, could be used as a core component of the IDAs financial literacy education.

E4. Identify organizations within the community who may provide financial instruction

Identify existing organizations that share your mission of providing financial education to the low-income community. Invite them to become IDA partners by providing education material and/or instruction for your credit union’s IDA program.

Example: Whitney of Our Town Credit Union asked the local Habitat for Humanity director if he might be able to provide a workshop on Home Maintenance and Repair for Our Town’s IDA participants. The Director indicated that Habitat held such classes regularly, and that the IDA participants were welcome to attend. Together, they devised a plan to track IDA participant attendance at these classes.

E5. Design core and asset-specific training

Using the training goals that you’ve developed, outline specific lessons and activity that reinforce savings behavior. Understanding debt versus equity, completing a loan application, using credit union services, and practicing new budget development helps maintain behavior that reaches savings goals.

Example: A core component of Our Town Credit Union’s education program is to build the financial skills of IDA participants. Specific lessons will include assessing spending patterns, creating a budget, and developing a system for managing personal finances.

E6. Identify and remove potential barriers to workshop attendance

There may be barriers, such as lack of transportation, lack of childcare or work schedules, which limit attendance at financial workshops. Ask IDA participants about factors that may interfere with their attendance at these workshops and try to resolve these difficulties.

Example: Because a large number of ABC Credit Union’s IDA participants have young children, they offer on-site child-care during their quarterly financial literacy workshops.

E7. Schedule specific lessons, instructors and locations for financial workshops

Coordinate all the aspects of the workshops, including teaching materials and space requirements. If the credit union doesn’t have the space to conduct a workshop, consider asking community organizations such as local churches or schools to donate

space for the meetings. Inform instructors and attendees where and when the workshop will be held and materials they may need to bring.

Example: Randy confirmed that Ms. Sphere, a retired economics teacher, volunteered to lead a workshop on "Determining Net Worth" at 7:00 PM, February 9, in room 103 of the Community Center. The Community Center confirmed that the room set-up would include 20 chairs and a chalkboard.

E8. Execute marketing plan to promote financial workshops

Your comprehensive marketing plan should include methods of informing IDA participants and the community of the educational workshops. After having confirmed all of the details for the workshop, execute that portion of the marketing plan.

Example: Randy informed the Twelve IDA participants of the financial literacy workshop by letter. In addition, Randy published information about the workshop on the credit union's bulletin board and in the credit union's newsletter.

F. IDA savings

F1. Determine the account structure of the IDA

Should the IDA have sole account ownership or joint account ownership? Each credit union must decide on its IDA account structure. Some have found that account holders prefer total control over their savings whereas others have found that joint ownership – where the sponsoring organization is the joint owner of the account – protect accountholders from the pressures of family members or friends who want to access the participant's savings. Examine what "restrictive" policies already exist within the credit union that make withdrawals "off limits" for account holders, especially in the first few months of saving.

Example: Community Credit Union elected sole account ownership because they believed trust might be a concern for potential IDA participants. Additionally, the credit union could not establish a joint account relationship with a member. The credit union did create separate, restricted accounts for IDA participants, which were agreed upon by IDA holders as part of their commitment to participate in the IDA program.

F2. Establish built-in incentives for IDA accounts

Make the IDA account attractive by including incentives into the account structure.

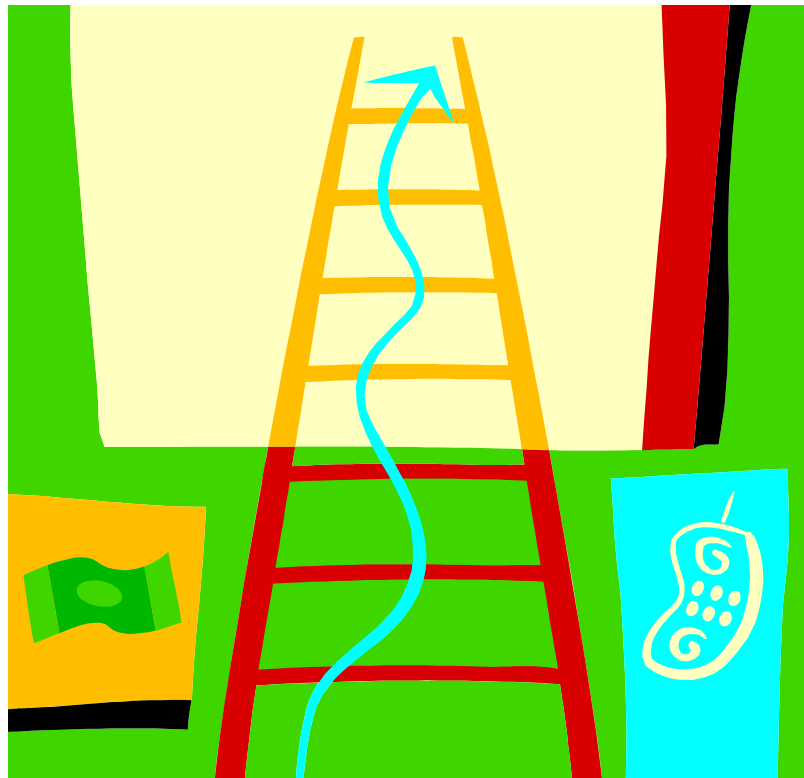
Example: In addition to match funds available at the completion of the program, Our Town Credit Union's IDA offers 5% annual interest rate, a \$5.00 minimum balance and no monthly fees. Furthermore, IDA members can benefit from the credit union's free check cashing services.

F3. Establish savings period and savings ceiling of IDA account

How long must IDA participants save before they are eligible to receive match funds for their savings? How many dollars can be saved and matched in your IDA program? Each IDA program tailors the savings period and the savings ceiling based

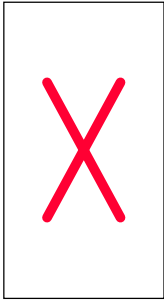
on program goals, program resources, and the extent to which IDA holders' savings and match funds can realistically be used for acquiring their asset goal. If housing costs in one community are inflated, it may not be realistic to only offer home ownership as a permissible asset when IDA holders' annual income is 60% of the median income. However, education or small business may be a more productive asset for which the IDA holder can save toward. Fit the asset acquisition to the realism of the community and the income level of the participant that would support not only acquisition but maintenance of the asset purchase.

Example: Community Credit Union's IDA requires a minimum savings period of 9 months and allows a maximum savings period of 36 months. The steering committee determined that a savings ceiling of \$83.00 a month would be established.



Policies and Procedures

The purpose of having established policies and procedures is to ensure fair and consistent treatment of all IDA participants. The following checklist reflects recommended practices to ensure a smooth operation for your IDA program.



- 1. Application for Individual Development Account
- 2. Verification of Income
- 3. Beneficiary Information
- 4. Emergency Withdrawal Policy and Form
- 5. Leave of Absence Policy
- 6. Participant Updates
- 7. Qualified Withdrawal Policy and Request Form
- 8. Financial Literacy Workshop Notification Form and Attendance Sheet
- 9. Partnership Agreements

1) Application for Individual Development Account

To ensure fairness to all IDA applicants, have all members interested in participating in your IDA program fill out a standardized application form.

2) Verification of Income

To ensure consistent treatment of IDA applicants, consider having a standard policy or form to verify participant's income. Current IRS tax returns, W-2 forms, and/or employment payment stubs are all sources of documentation of income.

3) Beneficiary Information

Consider having IDA participants complete a form indicating who has access to the IDA in the event of the participant's death.

4) Emergency Withdrawal Procedure

Because emergency situations may occur during which IDA participants wish to make withdrawals from their savings, have an established policy for such situations. An IDA site may want to build into their financial literacy program alternative methods to withdrawing money from their IDA savings. Some credit unions earmark IDA accounts as restricted accounts, with IDA holders knowing this information in advance of making a commitment to participating in the IDA program.

5) Leave of Absence Policy

A situation may occur in the life of the IDA participant that may lead them to desire a temporary leave of absence from the program. Consider having an established policy for such situations. A leave of absence may necessitate the IDA holder to consider waiting to re-enroll in an upcoming IDA financial literacy program.

6) Participant Updates

Consider a policy of regular communications with IDA participants to update them on their progress in the IDA program. Several credit unions have stated that a measure of success is increased savings behavior of each IDA holder. One method of ensuring that IDA holders continue to save is regular, consistent meetings throughout one year. IDA holders support one another's efforts to consistently save, and also share valuable consumer information among one another.

7) Qualified Withdrawal Policy and Request Form

What happens when a participant has fulfilled all the requirements of your IDA program? Your credit union should have a set policy for how a qualified withdrawal will take place. Most IDA programs do not co-mingle the match funds with the IDA holder's savings account. Therefore, the method for the IDA holder's withdrawal of funds, the match withdrawal, and the purchase of the asset should be established prior to starting the program.

8) Financial Literacy Workshop Notification and Attendance Sheets

Your IDA program should have an established procedure for should informing participants of financial literacy workshops and for tracking their attendance at these workshops.

9) Partnership Agreements

Create a document that explicitly defines any agreement made between the credit union and another provider of a service to the IDA holders. This understanding is written up on a partnership agreement. It is not a legal contract; rather, it is a blueprint for how and what will be done during the IDA program. Such a document provides a clear understanding of the responsibilities of your IDA program and those of cooperating partners.

On the following pages are resources available to you as you put together your policies and procedures that guide your IDA program. The credit unions listed on the following page have offered to share their policies and procedures with you as samples for you to review. We have also listed the Corporation for Enterprise Development as the source of an excellent handbook on the design and implementation of IDAs.

APPENDIX

Key Resources

Key Resources refers to the value of the following sites. Each of the sites below can be an excellent source of information for you as you design the IDA program that best meets your credit union's goals and community goals. Sources of operating and match funds are very limited. This manual has highlighted those resources that offer operating dollars or match funds through a grant writing process. Resources that offer grant writing assistance is noted as well.

National Resources

Center for Social Development

Washington University

<http://gwbweb.wustl.edu/csd/>

Washington University

Campus Box 1196

One Brookings Dr

St Louis, Missouri 6310-4899

314.935.7433

Community Development Financial Institutions Fund

www.cdfifund.gov

601 13th Street, NW, Suite 200 South

Washington, DC 20005

202. 622.8662

Corporation for Enterprise Development

www.cfed.org

777 N Capitol St NE

Suite 800

Washington, D.C. 20525

202.408.9788

Corporation for National Service

www.nationalservice.org

1201 New York Ave NW

Washington, D.C. 20525

202.605.5000

Credit Union National Association

www.cuna.org
P O Box 431
Madison, WI 53701-0431
800.356.9355

Department of Health and Human Services*

Assets for Independence Act Fund
www.hhs.gov
200 Independence Ave SW
Washington, DC 20201
877.696.6775

Federal Home Loan Bank*

www.fhlbi.com
8250 Woodfield Crossing
Indianapolis, IN 46240
317.465.0200

National Community Investment Fund

www.ncif.org
7054 S Jeffery Blvd.
Chicago, IL 60649
773.753.5142

National Credit Union Administration

www.ncua.gov
1775 Duke St.
Alexandria, VA
703.518.6300

National Credit Union Foundation

www.cuna.org
P. O. Box 431
Madison, WI 53701-0431

National Federation of Community Development Credit Unions*

www.natfed.org
Clifford Rosenthal Executive Director
NFCDCU
120 Wall St 10th Floor
New York, NY 10005-3902
212.809.1850

Michigan Resources

**Center for Urban Affairs
Michigan State University**

www.msu.edu/unit/cua
1801 W. Main St.
Lansing, MI 48915
517.353.9555

**MSU Extension
Michigan State University**

Family and Consumer Sciences
www.msue.msu.edu
Michigan State University
Agriculture Hall Room 108
East Lansing, MI 48824-1039
517.355.2308

Michigan Credit Union League

www.mcul.org
MCUL/Cucorp
15800 N Haggerty Rd
Plymouth, MI 48170-8054
734.262.6285
800.420.1530

Michigan IDA Partnership*

17177 N. Laurel Park Dr. Suite 433
Livonia, MI 48152
734.542.3951
Muschler@earthlink.net

Michigan State Housing Development Authority**

www.mshda.state.mi.us
PO Box 30044
Lansing, MI 48909
800.382.4568

Michigan Credit Unions

Bethel AME Church Federal Credit Union.
535 Cathay Street
Saginaw, MI.48601-1318
Sherwood Spells, Board President
Sspells@chartermi.net

Federal Employees of Chippewa County Credit Union
119 E. Water Street
Sault Ste Marie, MI 49783
Jennifer Watson, CEO
Credit@sault.com

CP Federal Credit Union
1100 Cliinton Rd.
Jackson, MI 49202
Beth Bruesch, VP. Branch Administration
Bbruesch@cpfederal.com

Delta County Credit Union
2600 1st Avenue South
Escanaba, MI 49829
Brad Swee, CEO
Bjswee@deltacountycu.com

Forest Area Federal Credit Union
P.O. Box118
Fife Lake, MI 49633-9301
Rodney Larr, CEO
Fafcu@gtii.com

First Community Federal Credit Union
310 Riverview Drive
Parchment, MI 49004
Stacy Rinker, Development & Training Mgr.
Stacyr@1stcomm.org

Lansing Community Credit Union
4510 S. Pennsylvania Ave.
Lansing, MI 48910
Renee DeMarco, CEO
Rdemarco@lccu.com

Michigan Tech. Federal Community Credit Union

808 W. Memorial Drive
Houghton, MI 49931
Paula Hiltunen, Manager
Paula@mtfcu.org

Straits Area Federal Credit Union
201 Locust Street
Cheboygan, MI 49721
James Borowicz, CEO
Jborowicz@triton.net

Westshore Community Federal Credit Union
491 W. Sherman Blvd.
Muskegon Heights, MI 49444
Melody Taylor, CEO
Cumelo@aol.com

Key:

- * **Operating and/or match funds**
- ** **Grant writing workshops available**

MSU CUA PUBLICATIONS

Recent Publications of the MSU Center for Urban Affairs

Community News and Views: Regionalism. (Spring 2002), Vol. 14, No. 2.

Kenneth E. Corey (May 2002). *A Primer on Electronic Commerce and Digital Opportunity for Local, Urban and Regional Development Planning.*

Community News and Views: Capacity Building. (Winter 2001), Vol. 14, No. 1.

The People's House: Reflections from Public Housing Residents and Partners. (Fall 2001), Vol. 1, No. 1.

Christine Hall, Justin Linker, and Chris Shay (October 2001). *Prospects for an Affordable Housing Trust Fund in Michigan.* Community and Economic Development Briefs, No. 3.

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Matt Syal and Chris Shay (August 2001). *Implementing a Building Rehabilitation Code in Michigan.* Community and Economic Development Briefs, No. 1.

Community News and Views: Working Wired. (Summer 2001), Vol. 13, No. 1.

Community News and Views: Housing. (Spring 2001), Vol. 12, No. 3.

Community News and Views: University and Community. (Summer 2000), Vol. 12, No. 2.

Community News and Views: Information Technology. (Spring 2000), Vol. 12, No. 1.

Proceedings of the Urban Vision 2 Summit (2000). Prepared for the State of Michigan House of Representatives Bipartisan Urban Caucus.

Discovering the Digital Frontier: Opportunities for Community Based Organizations and Low Income Communities (2000). Summer Institute Report.

Creating Sustainable Communities: The Role of Community Based Organizations (1999). Summer Institute Report.

The State of Michigan's Cities: Summaries of Six Mayoral State of the City Addresses (1999). Compiled by Linton Ellis. Edited by Rex LaMore & Faron Supanich-Goldner.

Community Income and Expenditures Model Implementation Manual. How to Get the Information You Need to Create and Maintain Local Community Wealth: A Self-Guided Handbook for Communities (2nd ed.). (October 1999).

Rex LaMore & Faron Supanich-Goldner (October 1999). *Exploring the Relationship Between Capacity and Production in Community-Based Affordable Housing Development in Michigan.* Prepared for the 1999 Annual Meeting of the Association of Schools of Collegiate Planning.

Community News and Views: Youth Development. (Fall 1999), Vol. 11, No. 3.

Susan Cocciarelli, Melissa Huber, & Faron Supanich-Goldner (August 1999). *A Manual for Directing and Documenting CEDP Outreach and Research Initiatives*.

Community News and Views: Sustainable Communities. (Summer 1999), Vol. 11, No. 2.

Community News and Views: Urban Land Use. (Spring 1999), Vol. 11, No. 1.

Rex LaMore (December 1998). *Building Communities Through Networks and Relationships*. Prepared for the University of Illinois at Chicago Winter Forum.

Ralph Levine (October 1998). *The Relationship Between Community Psychology and Community Development: A Systems Approach*.

Community News and Views: Urban Policy. (Fall 1998), Vol. 10, No. 3.

Proceedings of the Urban Vision Summit (1998). Prepared for the State of Michigan House of Representatives Bipartisan Urban Caucus. Compiled and Edited by Faron Supanich-Goldner and David D. Cooper.

Rex LaMore (July 1997). *The Community Income and Expenditures Model: Rethinking the Paradigm of Poverty and Economic Development*.

Rex LaMore (1997). *The Fundamentals of University Outreach and the MSU/CEDP Model*.