Individual Development Account (IDA) Participant Manual

Congratulations on enrolling in the IDA Program!

Please use this manual as a guide to answer basic questions. Your IDA Case Manager is available to assist you and should be contacted if you need additional information or assistance.

For more information about the IDA program contact your local Community Action Agency!	COUNTIES SERVED	For more information about the IDA program contact your local Community Action Agency!	COUNTIES SERVED
Community Action Partnership 120 Washing Avenue Williston ND 58801 Phone: 701-572-8191	Divide, Williams, McKenzie	**Dakota Prairie Community Action** 223 4th Street Devils Lake ND 58301 Phone: 701-662-6500	Rolette, Towner, Cavalier, Ramsey, Benson, Eddy
Community Action Partnership 202 East Villard Dickinson ND 58601 Phone: 701-227-0131	Dunn, Billings, Slope, Golden Valley, Stark, Hettinger, Adams, Bowman	**Red River Valley Community Action** 1013 North Fifth Street Grand Forks ND 58203 Phone: 701-746-5431	Pembina, Walsh, Nelson, Grand Forks
Community Action Partnership - Minot Region 2020 8th Avenue SE Minot ND 58701 Phone: 701-839-7221	Burke, Renville, Bottineau, Mountrail, Ward, McHenry, Pierce	**Community Action Program** 1311 12th Avenue NE PO Box 507 Jamestown ND 58402 Phone: 701-252-1821	Wells, Foster, Griggs, Barnes, Stutsman, Logan, Lamoure, Dickey, McIntosh
Community Action Program 2105 Lee Avenue Bismarck ND 58504 Phone: 701-258-2240	McLean, Burliegh, Kidder, Sheridan, Mercer, Oliver, Emmons, Sioux, Grant, Morton	**Southeastern North Dakota Community Action Agency** 3233 South University Drive Fargo ND 58104 Phone: 701-232-2452	Steele, Trail, Cass, Ransom, Sargent, Richland

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Contents of this manual are subject to change at any time without notice.

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PROGRAM DESCRIPTION

North Dakota Community Action Partnership (NDCAP) administers an Individual Development Account (IDA) program designed to assist low to moderate income families in North Dakota build wealth and long-term economic self-sufficiency through the accumulation of lasting assets. Research has shown the combination of developing regular savings habits, financial management skills and assets help low to moderate income families create and sustain economic self-sufficiency.

The IDA program is delivered by a statewide collaboration of North Dakota's seven Community Action Agencies (CAAs) which serve all 53 counties and include:

- Community Action Partnership – Regions I and VIII
- Community Action Partnership Minot Region – Region II
- Dakota Prairie Community Action Agency – Region III
- Red River Valley Community Action – Region IV
- Southeastern North Dakota Community Action Agency - Region V
- Community Action Program Region VI
- Community Action Program Region VII

Through their participation in the program, participants will begin to focus on short and long-term financial goals and ultimately purchase assets, which will give them a stake in their communities and help break the cycle of poverty within their lives. In turn, participant's purchases will increase community and economic development throughout North Dakota. IDAs not only promote self-sufficiency but also promote economic development. Participants who graduate from college will have better jobs, those who expand their small business will generate revenue for our economy, and first-time home owners will pay property taxes and likely become more active in their communities. The bottom line is that IDAs work and operate as a bridge to the middle class for the Americans who use them.

Since 2002 North Dakota has celebrated numerous IDA successes with participants in areas of home ownership, post-secondary education, and small business capitalization. We hope to secure future funding to expand the program.

WHAT ARE IDAS?

IDAs are long-term matched saving accounts for low to moderate income people to be used for a targeted asset goal. In order to qualify for the program a participant's adjusted gross household income must not be above 200% of the Federal Poverty Level (See Current Guidelines) and assets of $10,000 or less. IDAs come with parameters and high expectations of participants. All participants must make their monthly deposits from earned income, have good credit, and a willingness to follow a steady and realistic savings plan towards one of three approved assets: college tuition, small business capitalization or first-time home ownership. The IDA is also a custodial account managed by Community Action and the participant does not have card-blanche access to the funds; no ATM or debit cards are issued.

Further, participants are required to complete financial literacy training which is a critical component as it teaches participants skills such as: creating and following a budget, owning and managing a bank account or credit card, credit counseling and credit repair, and guidance of refundable tax credits such as the Earned Income Tax Credit. Additionally, participants are also required to attend asset-specific training. This training is focused on the participant's asset that they intend to purchase upon the completion of their IDA savings. For example, a participant who is saving for a first-time home purchase is required to attend a home buyer education class.

Ultimately, the IDA enables participants to acquire a lasting asset after saving for an extended period of time. Participants are required to save for a defined period of time, although most save money over the course of a few years. At the end of the program every dollar deposited into the IDA by the participant is matched by a combination of federal and nonfederal funds at a rate of 2:1. However, the interest earned on the participant's account is not matched. Participants are able to save up to $2,000 for a match of $4,000. This means if the maximum amount is saved, the participant earns a total of $6,000 to use for their asset purchase.

ELIGIBLE ASSETS

NDCAP IDA Program is designed to help participants acquire long-lasting productive assets or increase the value of productive assets they already hold such as small business. In particular, participants may use savings and match funds for the following expenses: first home purchase, secondary education, and small business capitalization. Assets must be purchased within the state of North Dakota.

Home Purchase

A participant pursuing homeownership must be a first-time homebuyer as defined by federal law. **The law defines "first-time home buyer" as a buyer who has not owned a principal residence during the three-year period prior to the purchase.** They cannot have owned a home within three years prior to enrollment. (http://www.federalhousingtaxcredit.com/2009/faq.php) IDA funds may be used to purchase a primary residence meaning the participant and household members must be planning to live in the home. The price of the home must not exceed the participant's ability to repay the mortgage; it must be commensurate to their income level. Generally this is 2½ to 3 times a household's annual income.

The purchase of a primary residence may include a manufactured, panel, single-family, or modular home. Homes not attached to land are not an allowable purchase because they are not considered an appreciative asset.

Acceptable uses of funds for primary residence purchase include contributions to a down payment, lending costs or fees ("points"), or other closing costs (attorney's fees, title searches). If these costs are covered by other means, IDA funds may be applied directly to the mortgage. Contract for Deeds are not allowed.

Secondary Education

IDA funds may be used for future or present educational expenses at an educational institution of higher education such as a college, university, community college, or area vocational or technical school in North Dakota.

Tuition costs should be toward a degree or course of study that can be reasonably expected to improve the participant's prospects for employment and/or earning potential. Expenses directly related to post-secondary tuition are allowed. These include school fees, books, or certain school supplies (i.e. necessary lab equipment). Personal computers may be considered school supplies if required by the school or field of study. Funds **may not** be used for payment of student loans acquired prior to enrollment in the program or for room and board expenses.

All participants must make deposits from earned income; participants with a goal of post-secondary education are no exception and financial aid monies are NOT considered earned income.

In addition, any financial aid amount the participant is eligible for cannot be reduced due to the amount of IDA funds used for education. See the *Assets for Independence Act legislation, Section 415 No Reduction in Benefits*, for further explanation.

Small Business Capitalization

IDA funds may be used for starting or expanding a small business within the state of North Dakota.

To expand or stabilize a small business, a participant may use funds for business equipment, targeted marketing, advertising campaigns, or other approved business expansion efforts. IDA funds **may not** be used to replenish inventory or cover other on-going expenses such as payroll. Under no circumstances should IDA funds be used to delay the demise of a business that has no reasonable prospect for survival. Contract for Deeds are not allowed.

ELIGIBILITY REQUIREMENTS

The program is open to individuals or families who meet the following criteria:

1. Resident of North Dakota. Applicants must be able to provide an original North Dakota driver's license or North Dakota state-issued I.D. card.
2. Total household income that does not exceed 200% of poverty as published by the Department of Health and Human Services annually. The income guidelines are available on our website www.capnd.org/ida/.
3. Ability to make regular monthly deposits from ***earned income***.

PARTICIPANT RESPONSIBILITIES

- To complete participation in the IDA program within two years from the program start date. This includes all savings, trainings, and asset purchases. Failure to complete within two years may result in termination from the program.
- Participant must be able to open account at Bremer Bank. If the participant is not able to receive banking services from Bremer Bank at any time, it will result in termination from the program.
- To open the IDA at Bremer Bank within seven days of acceptance into program. Failure to do so may result in termination from the program.
- All deposits into the IDA will be from earned income or from an Earned Income Tax Credit Refund, as per the program guidelines. It may be required that the participant demonstrate that the money deposited came from earned income.
- Deposits must be made for ***six consecutive months*** before any match funds can be accessed. A missed deposit will start the six month count over and no credit will be given for previous deposits.
- Complete 10 hours of financial education. Classes or curriculum must be completed before any withdrawals can be made.
- Complete 8 hours of specialized asset training. The type of training received depends on the participant's savings goal. Classes must be completed before any withdrawals can be made.
- Withdrawals cannot be made until the requirement of ***six consecutive months of savings*** and completion of all required trainings is completed. No more than three withdrawals are allowed.
- To meet with IDA Case Manager at least every three (3) months or as often as required to make and work toward personal and financial goals.
- To submit a Qualified Withdrawal Request Form to the IDA Case Manager, with appropriate documentation, attached at least ten business days prior to the date for which an authorized withdrawal is requested.

- To notify NDCAP regarding any change in household income, household size, or the employment status of any adult household number within 2 months of such a change. This information will NOT change eligibility for the program but must be kept on file.
- To participate in all requests for evaluation data, which may include completing surveys, participating in focus groups or personal interviews during or after completion of the IDA program.
- Sign and follow the terms of the contract agreement.
- Review IDA statements each month.

ALLOWABLE DEPOSIT AMOUNTS

- A minimum deposit of $25 per month is expected with a goal of $90 per month. The amount deposited may be increased, depending upon the amount noted in the contract agreement and the participant's ability to save more.
- NDCAP IDA Program requires regular monthly savings from earned income meaning that the participant is employed.
- An Earned Income Tax Credit tax refund (EITC) may be deposited into the IDA. However, only $500 per year may come from EITC. For those who do not qualify for EITC a $500 lump sum deposit is also allowed once per year.
- A minimum savings period ***six consecutive months*** is required for all assets. No withdrawals for any asset purchases can be made prior to six months and completion of all required trainings.

MISSED DEPOSITS

- Participants are required to deposit savings on a regular basis, however it's understood that some months it may be difficult to save. Instead of missing a full deposit, participants are encouraged to save a minimal amount of $25. Participants should notify their IDA Case Manager in advance to discuss difficulties related to making a deposit.
- Missed deposits may result in termination from the program.

EMERGENCY WITHDRAWALS

- Participants wishing to request an emergency withdrawal must meet with their IDA Case Manager to discuss all other options before making the request. Participants facing emergency situations will be encouraged to utilize services at the agency before requesting an emergency withdrawal. Such services would include: assistance with food, an overdue energy bill, a month's rent to prevent eviction, and medical vouchers for those needing medical attention and without health insurance. However, not all Community Action Agencies across the state offer the same programs. Please inquire with your IDA Coordinator about what assistance is available in your region.
- If it is determined that the emergency withdrawal is needed then the participant must complete and submit a Withdrawal Form. All other alternatives will be considered before approval of the Emergency Withdrawal Request. A counseling session is required during emergency situations to gauge the participant's ability to remain in the program.
- Emergency withdrawals are allowed but must be approved by the IDA Case Manager and the NDCAP Program Coordinator. Emergency withdrawals ***are not guaranteed*** due to deadlines implemented by granting agencies.

STEPS TO PURCHASING ASSET

- Contact IDA Coordinator and submit a Qualified Withdrawal Request Form a **minimum** of 10 business days in advance of the purchase.
- Sufficient funds must be in the IDA. The participant must have accumulated enough personal savings

so that, when combined with match funds, there is enough to purchase the proposed asset.

- Financial literacy courses must be completed and certificate on file.
- Minimum time requirement of ***six consecutive months*** regular saving must have been fulfilled.
- Asset-specific training completed and certificate on file.
- Check will be made out directly to the vendor for the asset purchase and mailed immediately. Under no circumstances will the check be issued directly to the participant.
- Multiple withdrawals are allowed but are limited to a maximum of three. Contact your IDA Case Manager for details.

FREQUENTLY ASKED QUESTIONS

What is a savings match and how much money will I receive?
A "savings match" is a promise to supplement an IDA participant's savings deposits at a specific rate; in other words, a 2:1 savings match means that for every $1 participants save, they will have another $2 added to their total savings at completion! Participants are able to save up to $2,000 for a match of $4,000. This means if the maximum amount is saved, the participant receives a total of $6,000 to use for asset purchase.

What happens if I decide to open an account but later change my mind?
Any deposits made are owned by the participant and can be withdrawn to leave the program. However, if leaving the program without completing the asset goal a participant loses access to any match funds. Match funds are only awarded at the completion of the asset goal and are provided directly to the vendor of the asset (for example, the mortgage company or college.)

What if I want to change my savings goal during the savings period?
Participants are able to change a savings goal if they have a reasonable amount of time to complete asset specific training for that goal and plan for the purchase. IDAs do encourage long-term planning for a specific goal, but sometimes circumstances change causing goals to change as well.

Will an IDA Account affect my benefits from other programs? Will it affect my taxes?
Not fully, an IDA opened as part of an Assets for Independence demonstration project is disregarded in determining eligibility for other means-tested programs. Match funds are NOT taxable and do NOT count toward any asset limit for assistance programs. However, the participant's savings are counted and taxable – but since all savings must come from earned income, these savings have already been taxed and counted as income for other programs.

Can I use my IDA funds in addition to other assistance programs?
Yes. For example, education IDAs can only be used to pay for tuition and fees, but Pell grants can be used toward a variety of living expenses, so participants are able to use IDA funds to pay for classes, freeing up Pell grant funds to use for rent and transportation. However, keep in mind that some assistance programs cannot be used in addition to other programs. For example, two federally funded home purchase assistance programs cannot be used together, but a city funded and federally funded program can. A staff member will always be available to help with these questions during the purchase process.

Do I have to buy my asset (home, business, go to school) in North Dakota? Yes. IDA funds may be used anywhere in the state of North Dakota. NDCAP serves all 53 counties across the state.

Where are savings deposited?
Accounts are held at various financial institutions across North Dakota. Participants will open their accounts and make monthly deposits at a designated bank in their region. Accounts do not incur any service fees and do accrue a small amount of interest which will not be matched.

What about making savings withdrawals?

Because IDAs are intended to help people purchase productive assets, withdrawals for non-asset uses are strongly discouraged. However, in certain emergency situations, program participants may withdraw some of their savings before they are ready to purchase their chosen asset goal. Such withdrawals would *not* include savings matches. And, of course, participants are always free to close their accounts, withdraw from the program and receive all of their savings and earned interest. However, withdrawing before reaching an asset goal does forfeit all matching funds.

How do participants receive match funds?

Match funds will be made available to participants when they are ready to purchase an asset. At that time a vendor check will be issued directly to the company, institution or individual furnishing all or a part of a participant's asset goal (a mortgage company, wholesale supplier or community college, for example).

Thank you for your participation in the IDA Program! Please feel free to contact your IDA Case Manager with any questions and keep on saving!