

# Individual Development Accounts

North Dakota Community Action Partnership  
[www.capnd.org](http://www.capnd.org)

# NDCAP Staff

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  - \* Executive Director



- \* Sarah Hasbargen
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WATCH TV WITH  
SOUND OFF

SALT OR PEPPER,  
NOT BOTH

COSTCO  
DUMPSTER!

READ NEIGHBOR'S  
PAPER

ONLY DRIVE  
DOWNHILL

ONLY OPEN MAIL  
FROM FAMILY  
MEMBERS

COMMUNAL  
CHAIR

USE SEMICOLONS  
INSTEAD OF  
COLONS

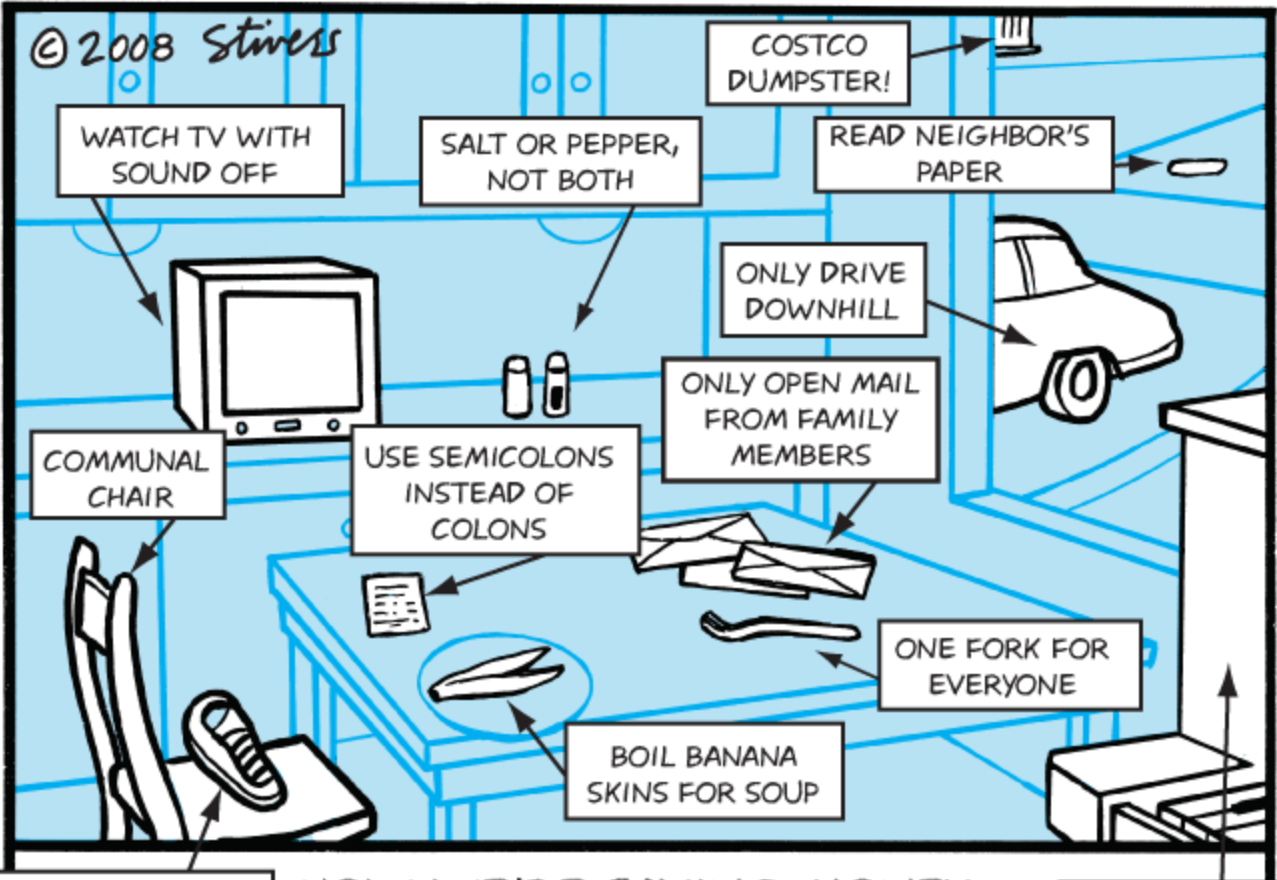
ONE FORK FOR  
EVERYONE

BOIL BANANA  
SKINS FOR SOUP

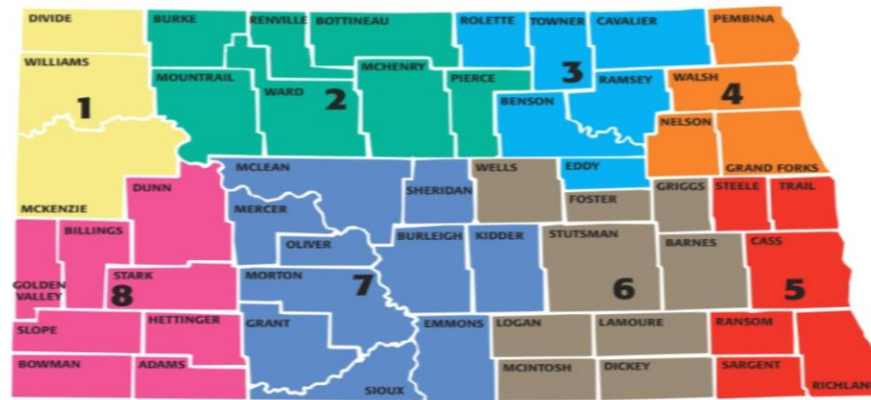
WEAR LEFT SHOE  
ON ODD DAYS, RIGHT  
SHOE ON EVEN

HOW WE'RE SAVING MONEY

ONLY PLAY BLACK  
KEYS ON PIANO



# Community Action Agencies



- Region 1 - Community Action Partnership - Williston/Dickinson
- Region 2 - Community Action Partnership - Minot
- Region 3 - Dakota Prairie Community Action - Devils Lake
- Region 4 - Red River Valley Community Action - Grand Forks
- Region 5 - Southeastern ND Community Action Agency - Fargo
- Region 6 - Community Action Program Region VI - Jamestown
- Region 7 - Community Action Program Region VII - Bismarck
- Region 8 - Community Action Partnership - Dickinson/Williston

# History Of IDAs

- \* Individual Development Accounts (IDA's) have existed across the United States since 1998
- \* Founded by Michael Sherraden, wrote "Assets and the Poor"
- \* People are trapped in a cycle of consumption of assistance programs
- \* Need long-term solutions to poverty rather than maintenance efforts
- \* Spearheaded the American Dream Demonstration
- \* Showed people with low incomes can and do save

# History of IDA's

## Assets for Independence Act of 1998

- \* Had bi-partisan support
- \* Established Federal support of IDAs
- \* Defined program guidelines

40 states have passed IDA legislation (**including ND!**)

548 AFI IDA initiatives nationwide at end of FY2009

- \* More than ½ of AFI projects are administered by CAAs, human service organizations, and community development corporations
- \* Match rates are typically 2:1 and match funds vary from \$160-\$4,500; average is \$1,631

# Overview of North Dakota IDA Program

# IDA Overview

- \* Savings accounts matched 2:1 can be used towards the purchase of one of three lasting assets:

College

First Home

Small Business



# 2:1 Match

\$2,000  
Participant Funds

\$4,000  
Match Funds

\$6,000  
for asset!

```
graph LR; A["$2,000 Participant Funds"] --- C["$6,000 for asset!"]; B["$4,000 Match Funds"] --- C;
```

# Who Qualifies for an IDA?

North Dakota  
Resident

Employed

Meet Income  
Guidelines  
(200%)

Net worth less  
than \$10,000

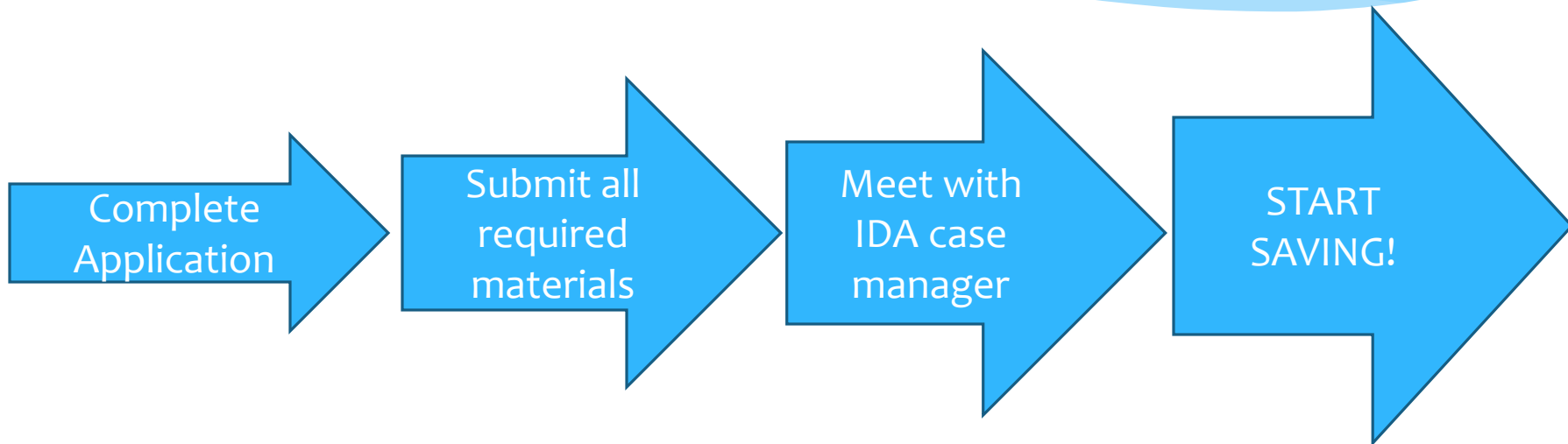
Complete  
Financial Literacy  
trainings

# Income Guidelines

Poverty Income Guidelines 2014

Number in Household	200% of Poverty	200% Hourly Wage
1	\$23,340	\$11.22
2	\$31,460	\$15.13
3	\$39,580	\$19.03
4	\$47,700	\$22.93
5	\$55,820	\$26.84
6	\$63,940	\$30.74
7	\$72,060	\$34.64
8	\$80,180	\$38.55
For each additional household member add	\$8,120	\$3.90

# Application Process



\*Required materials include:  
Completed Application  
Income Verification  
Copy of State-Issued ID  
Credit Report

# IDA Participants in ND

- \* The average age is 20-27
- \* The average income was \$14,112.88
- \* Most common asset saved for is education
- \* 90% indicated they had more control over household finances after completing the program
- \* 94% learned new financial management skills
- \* 81% said they were more likely to use bank services and products

# Do IDA's work in ND?

- \* 49 or 72.1% of applicants stated that their spending habits had changed since they have been in the program
- \* 64% indicated satisfaction with current financial situation

# Once a person is enrolled....

- \* Open a custodial account at Bremer Bank
- \* Immediately begin making monthly deposits from earned income
- \* Complete 10 hours of financial literacy training and 8 hours of asset-specific training
- \* Work with an IDA Case Manager throughout the duration of their time in the program
- \* Are eligible for match dollars after a minimum of six consecutive months of savings and completed trainings

# IDA Savings Requirements

- \* Monthly deposits from earned income
- \* \$500 per year can come from Earned Income Tax Credit
- \* Two-year program
- \* Six months of consecutive savings AND completion of trainings before any withdrawals can be made



# Financial Literacy Training

## Four Cornerstones

- \* Budgeting to Create Savings
- \* Debt Reduction and Asset Building
- \* Consumer Protection and Financial Institutions
- \* Building a Good Credit Rating

## Four Directions

- \* Thrifty Living to Build Your Savings
- \* Investing to Grow Your Savings
- \* Protecting to Secure your Savings
- \* Building a Future with your Savings

# Asset-Specific Training

8 hours required

- \* Offered by community partners

General Topics Covered:

- \* Affordability of homeownership
- \* Free Application for Federal Student Aid (FAFSA)
- \* Career and education exploration
- \* Developing a business plan
- \* Determining marketing strategies

# Asset Purchase Process

- \* Allowable after completion of trainings and at least 6 months of consecutive savings
- \* Participant notifies IDA Case Manager to initiate process
- \* Participant savings in IDA are matched 2:1
- \* Check is issued directly to the vendor

**Under no circumstances does the participant have access to the match funds**

- \* Multiple withdrawals allowed, maximum of 3
- \* Assets must be purchased in North Dakota

# Program Recap

- \* Potential participants must income-qualify and be able to make deposits from earned income
- \* IDA is opened upon acceptance at Bremer Bank and monthly deposits begin immediately
- \* Participants work with IDA Case Manager to complete required trainings
- \* Upon completion of trainings and demonstration of 6 months consecutive savings, participants are eligible to receive 2:1 match to their savings towards the purchase of their approved asset

# Economic Results of Asset Building

People in Poverty Can and Will Save	Teaches Saving	Decrease in Use of Second-Tier Financial Services
Learn Financial Skills	Invest in Human Capital	Encouraged to Gain Other Assets

# Personal Results of Asset Building

<b>Greater Health</b>	<b>Improved Outlook on Life</b>	<b>Greater Sense of Control</b>	<b>Feel More Confident and Competent</b>
<b>More Future-Oriented</b>	<b>More Likely to Plan for the Future, for Retirement</b>	<b>More Likely to Save in Other Ways</b>	<b>More Stable Household</b>
<b>Decrease in Domestic Violence</b>	<b>Increase in Caring for and Helping Others</b>	<b>Feel More Respected</b>	<b>More Involved in Politics and Neighborhood</b>

# Frequently Asked Questions

## **I'm currently in High School, can I participate?**

- Yes, but you have to be at least a Junior and have parental consent. You must also be able to make deposits from earned income.

## **Even though I qualify now, what happens if my income increases?**

- Once you have been proven eligible and accepted into the program, eligibility is “locked in.” Participants need only be income-eligible at time of enrollment and acceptance.

# Frequently Asked Questions

## **Do I have to currently be employed to qualify for an IDA?**

- Yes, federal regulations clearly state that deposits into an IDA must come from earned income.

## **Where are savings into the IDA deposited?**

- Accounts are held at Bremer Bank all over North Dakota. Accounts do not incur any service fees and do accrue interest.



# Frequently Asked Questions

## **I attend a two-year college, can I participate?**

- Absolutely! The IDA program can be utilized at any accredited post-secondary institution in North Dakota towards an Associate, Bachelor, Master, or Post-Doctorate degree.

## **The IDA program sounds too good to be true. What is the catch? Is it a loan?**

- It's not too good to be true! The program is an excellent opportunity to accumulate a lasting asset. There really is no catch and nothing has to be paid back.
- The purpose of the program is to teach people how to save and invest their money rather than borrow and spend.

# Motto of IDA Program

Save and Invest  
Instead of  
Borrow and Spend!

**“Lack of income means you  
don’t get by. Lack of assets  
means you don’t get ahead.”**

**-Ray Boshara, New  
American Foundation**

# Celebrity Endorsement

<http://www.youtube.com/watch?v=aQLO3uXKngA>

Josh Duhamel!



# Who do I call with questions?

Sarah Hasbargen

North Dakota Community Action  
Partnership

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