

# Individual Development Accounts and Community Action Agencies: A Natural Partnership

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The Community Action Agency for the Greater Stamford Area (CTE, Inc.), in Connecticut, has produced a technical assistance document for CAAs operating IDA programs. Funding for the project came through a grant from the U.S. Department of Health and Human Services, Office of Community Services. The purpose of the document, entitled “Individual Development Accounts and Community Action Agencies: A Natural Partnership,” is to show how CAAs are operating IDA programs, to share lessons learned from the field, and to exchange best practices using examples from successful programs.

## **INDIVIDUAL DEVELOPMENT ACCOUNTS**

Individual Development Accounts (IDAs) are gaining popularity in the United States as a new anti-poverty, asset-building strategy – a creative way to bring to America’s lower-income families some of the economic benefits enjoyed by the country’s more prosperous residents. IDAs are matched savings accounts in which low-income individuals and families accumulate funds that can be used for the purchase of one of several allowable assets. IDA programs combine savings with Financial Education, Asset-Specific Training, Case Management and peer encouragement to provide long-term education and support to help participants reach their goals.

## **CAAs AND IDA PROGRAMS**

Community Action, the movement founded in the mid-1960s under the Nation’s “War on Poverty,” has consistently been in the vanguard of innovative ways to help low-income families reach and maintain economic self-sufficiency. Today, over 150 Community Action Agencies (CAAs) are operating Individual Development Account Programs, showing that the CAA field continues to be in the forefront of new approaches to fighting poverty.

While many non-profit organizations operate successful IDA Programs, CAAs and IDAs are a natural fit. There are several reasons for this: CAAs have long-standing relationships with and experience serving the target population; CAAs operate a multitude of services that can be linked with IDA Programs; CAAs have long-standing partnerships in the community and so are able to provide needed services to IDA Program Participants either in-house, through partners or referrals; CAAs are able to be creative and flexible, mainly due to the availability of CSBG funding; CAAs have already earned the trust of their customers, an important issue for IDA Programs.

## **ASSET BUILDING**

Asset building is an important addition to the arsenal of weapons used to fight poverty. People escape poverty and achieve wealth through asset acquisition, not simply through income. According to the *State Asset Development Report Card*, published by the Corporation for Enterprise Development in 2002, the distribution of assets in the U.S. is much more unequal than the distribution of income. Asset building can supplement income maintenance as an anti-poverty strategy, and IDAs are proving to be a viable means of accomplishing this.

## THE IDA SURVEY

Information for the technical assistance document was gathered through an extensive online survey of the IDA field that was conducted in 2003. The survey was coordinated by CTE, Inc. in collaboration with the Corporation for Enterprise Development and nine other national partners. The survey gathered information on IDA programs throughout the country – both those run by CAAs and those run by other agencies. In addition to the questions answered by all IDA operators, the survey contained additional questions that only CAAs were asked to answer. The data reported in the technical assistance document were what were gathered from the CAAs that answered the survey.

145 CAAs responded to the survey, representing 37% of total respondents. It is estimated that there are currently approximately 500 IDA programs in the U.S. with more than 20,000 Account Holders. This would suggest that the number of CAAs operating IDA Programs represent a high percentage of the total number of IDA programs. Also, a very sizeable percentage of CAAs operating IDA Programs responded to the survey.

## RESEARCH FINDINGS

A wealth of information about CAAs and IDAs was gathered from the survey. Some of the highlights are presented here. The findings represent a snapshot of the IDA field at a point in time, therefore many of the following statistics, for example, the number of assets purchased, are very conservative. The technical assistance document provides a great deal more information about current IDA Programs and describes best practices, ranging from how to recruit for IDA Programs, to strategies for fund raising and advice from successful program operators. If you would like an electronic copy of the entire technical assistance document, please contact Marie Hawe at [mhawe@ctecap.org](mailto:mhawe@ctecap.org).

Community Action Agencies (CAAs) were among the first agencies to operate IDA programs, and the growth of IDA Programs in CAAs closely mirrors the growth of the IDA field in general. The majority of IDA programs began operating after 1999.

All size CAAs operate IDA Programs – from agencies with total budgets under \$500,000 to those over \$100,000,000. Most IDA Programs operate with a very lean budget. 46% of all CAA IDA Programs operate with an annual budget of less than \$25,000, and 66% operate on less than \$50,000 a year.

IDA Programs are extremely labor-intensive. We are asking our IDA Participants to learn new concepts, change behavior and venture into territory where many have never been before. Staffing of IDA programs is an issue that is problematic for many CAAs. Many funding sources allow only a small percentage of the total grant to be used for operating and administrative costs – not enough to provide for the staff support needed for successful programs. Fortunately, CAAs run a multitude of programs, sometimes making it possible to integrate IDA Programs into the CAAs' array of services.

There are currently 4,666 Account Holders in CAA IDA Programs: 78% are female and 22% are male. Most IDA Participants are in their 20s or 30s. 60% of Participants identify themselves as White, 22% as African-American/Black, 9% as Hispanic, 5% as Asian and 4% as Other. In the Other category: 1.37% are Native Hawaiian or Other Pacific Islander, .6% are American Indian

or Alaskan Native, 1.75% are either Haitian, Russian, Mixed Race, African, Slavic, Polish, Eastern European Refugee, Cape Verdian, Bosnian, Sudanese, Middle Eastern or Somalian. To serve this diverse client base, CAAs provide Financial Education training to IDA Participants in 11 languages, in addition to English. 52% of participants in CAA IDA programs have annual household incomes under \$20,000; an additional 35% have incomes of between \$20,000 and \$30,000 per year.

To date 2,274 assets have been purchased by participants in CAA IDA programs, including first homes, vehicles, home repair, post-secondary education, small business start-up or expansion and others. To date, total participant savings in all CAA IDA Programs totals \$4,534,567. The total dollar amount of matching funds that have been distributed for allowable asset purchases, to date, is \$8,471,426. The combined total value of mortgages and other loans leveraged by IDA Account Holders for allowable asset purchases has been \$52,584,007.

IDA programs operate in close collaboration with banks or other financial institution partners. Financial partners provide various support to IDA programs, from holding the accounts, to providing training, funding match and operations, and making referrals to programs. Funding for IDA programs comes from a variety of sources. The most often mentioned in the survey were: for matching funds – the Assets for Independence Federal Demonstration Program, TANF and Local and Regional Foundations; for Operating funds – CSBG, TANF and the United Way.

It is hoped that the IDA field will continue to grow and assist low-income families toward asset ownership. The return on investment is high. In communities where IDAs are at work there are higher levels of education, better property maintenance, a decrease in residential mobility and an increase in local civic involvement. Most importantly, owning assets gives people a way to make their dreams a reality for themselves and their children. Low-income people can and want to save; they often think they can't on their limited incomes. They need to know that – with IDAs – asset building is within their reach.