IDAs, or Individual Development Accounts, are special matched savings accounts designed to help families and individuals of modest means establish a pattern of regular saving and, ultimately, purchase a “productive asset.” A “productive asset” is something of value that is likely to return substantial long-term benefits to its owner—benefits like security, stability, and opportunities for more income. IDA participants may use their savings and match money toward any of three productive assets: a home or a post-secondary education.

IDAs are necessary because low-income families need productive assets if they want to escape poverty and achieve economic self-sufficiency. Right now, the federal government wisely and successfully helps the nonpoor acquire assets (through, for example, the home mortgage interest deduction and tax breaks for saving for college) but doesn’t have a way to help the poor acquire those assets. IDAs, through the use of matching deposits and supportive nonprofit organizations, help low-income families acquire both the capital and skills they need to “jump start” their lives, set goals for their future, and integrate themselves into the mainstream economy. IDAs are not hand-outs; they are investments in people who are willing to first save and invest in themselves.

A “savings match” is a promise to supplement an IDA participant’s savings deposits at a specific rate. As an example, a 2:1 savings match means that for every dollar an IDA participant saves, he or she will have another 2 dollars added to their total account balance! Savings matches are not “giveaways.” Participants earn savings matches by saving their own hard-earned dollars and taking other steps to prepare for the future, like attending personal finance classes and a special asset-specific preparation program. These workshops are designed to help participants acquire or polish the personal and financial skills that are essential for long-term success, skills like long-range planning, household budgeting, credit repair, and savvy consumer habits. Furthermore, providing match dollars is a way to help hard working low-income families and individuals build a more stable and secure future. Everyone benefits when more members of a community have the tools they need, the productive assets, to provide for themselves and their families.

IDA funds are paid directly to the asset intermediary (e.g., to the title company, university registrar, or business product or service provider). In addition, written authorization from the nonprofit is required for all withdrawals. Matching funds are held in a matching account and can never be accessed directly by the participants, but are dispersed on their behalf at the time of asset purchase. Also, participants must save in the program for at least six months before they are eligible for any accrued match money. Finally, all IDAs must be held by a federally insured financial institution. Fraud or misuse of an IDA are, therefore, quite unlikely.
OBJECTIVE

The Smart Saver IDA Program seeks to help individuals and families escape poverty by increasing personal finance skills and building assets. Through these actions, individuals and families can increase their effectiveness and confidence and foster inter-generational economic stability. Economic stability means self sufficiency without dependence on public assistance or unsecured debt for ongoing living expenses. Stable families in turn enhance the strength of their communities through their financial resilience and responsible civic participation.

Families demonstrate financial resiliency by improving conditions, such as their educational attainment and new job-specific skills, occupational status, spending habits, income, credit, net worth, and risk management, which enable them to weather financial crises. Families demonstrate responsible civic participation by knowing their neighbors, supporting community institutions, voting, practicing their faith, maintaining attractive residences, and encouraging these habits in their children.

Responsible civic participation contributes to strong communities which in turn enhances family financial resilience and beneficial networks of reciprocity.

The Smart Saver IDA Program provides a savings match, financial education, and civic engagement training, and challenges IDA participants to give back to the community as responsible neighbors.

TARGET CLIENTELE

The program will target households earning at or below 200% of the area median family income.

GEOGRAPHIC FOCUS

The program will primarily serve residents of the Greater Houston area or the surrounding counties. A limited number of accounts through the Texas Asset Building Coalition will also be served. Enrollment will be regulated by match fund availability. Specific geographic eligibility varies from time to time based upon the source of match funds. (Ca we include the IDA in Beaumont?)

RECRUITMENT

In recruiting program participants, Covenant will work closely with community partners to help market and publicize the IDA program. Partners include the United Way of the Texas Gulf Coast, the Credit Coalition, Fifth Ward CRC, Avenue CDC, RE-Ward Third Ward, Acres Homes CDC, the Women’s Resource of Greater Houston, Alliance for Multicultural Community Services, Houston Asset Building Coalition, Neighborhood Centers, Inc, Amegy Bank, Bank of America, Capital One Home Loans, Chase Bank, Northern Trust Bank, Wells Fargo, ViewPoint Bankers Mortgage, and Covenant’s board of directors. Covenant will identify additional IDA candidates from area CDC’s, tenant organizations, public housing authorities, employer sponsors, and public and private institutions. Covenant staff will participate in community events and partner-sponsored meetings to train organizations and institutions about the program. Covenant will then provide outreach materials to these partner organizations that wish to market and recruit participants into the program.
POLICIES

PARTICIPANT ELIGIBILITY
For program eligibility, individuals must earn below 200% of the area median family income. Covenant will seek to obtain, but does not guarantee, alternate match funding for those households whose income meets eligibility at enrollment but exceeds eligibility at the time of asset purchase.

EARNED INCOME
Participants must receive earned income. The term “earned income” (as defined in Section 911 (d)(2) of the Internal Revenue Code of 1986) means wages, salaries, or professional fees, and other amounts received as compensation for personal services actually rendered.

GROSS HOUSEHOLD INCOME
A participant’s eligibility, in terms of income, is determined by gross household income, which is gross income earned by all the members of the participant’s household.

HOUSEHOLD DEFINED
The term “household” means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

NET WORTH TEST
The net worth of the household, as of the end of the calendar year preceding the determination of eligibility, cannot exceed $10,000.

The net worth of a household is the amount equal to the aggregate market value of all assets that are owned in whole or in part by any member of the household, minus the obligations or debts of any member of the household.

For the purpose of determining the net worth of a household, a household’s assets shall not be considered to include the primary dwelling unit and one motor vehicle owned by a member of the household.

FIRST-TIME HOMEBUYER DEFINED
The term “qualified first-time homebuyer” means an individual participating in the project involved [and, if married, the individual’s spouse] who has no present ownership interest in a principle residence during the 3-year period ending on the date of acquisition of the principle residence. The term “date of acquisition” means the date on which a binding contract (was executed) to acquire, construct, or reconstruct the principal residence. From time to time match funds may also be available for displaced homemakers and single parents. A displaced homemaker is an adult who has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. A single parent means an individual who is unmarried or legally
separated from a spouse; and has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

**POST-SECONDARY EDUCATION EXPENSES**
The term “post-secondary educational expenses” means the following: tuition and fees required for the enrollment or the attendance of a student at an accredited educational institution.

**ON-GOING PARTICIPATION REQUIREMENTS**
- Participants must make at least 9 monthly deposits in their account each year of at least $35 per deposit.
- Participants must complete all personal finance classes and asset-specific trainings.
- Participants must be saving in the program for at least six consecutive months and no longer than five consecutive years in order to be eligible for match money.

**ACCEPTABLE IDA PERMISSIBLE USES (SUBJECT TO MATCH FUND AVAILABILITY)**
- Homeownership
- Post-Secondary or Vocational Education (if enrolled before May 15, 2006)
- Transfer to a child

**QUALIFIED WITHDRAWALS**
1. Homeownership (fee simple ownership funded through a title company, plus preclosing withdrawals for earnest money, appraisals and home inspection. Mortgages must be originated by a lender who has executed a Memorandum of Understanding (MOU) with Covenant restricting predatory lending practices).
2. Post-secondary/vocational educational institution (i.e. tuition, fees, books), or

**ACCOUNT OWNERSHIP**
The IDA accounts will be jointly owned. Each IDA will be opened under the name and Social Security Number of the IDA participant, but Covenant will retain custodial responsibility for the account, such that signatures of both the IDA participant and a qualified Covenant representative are required to make any account withdrawal.

**EMERGENCY WITHDRAWAL POLICY**
If a participant withdraws their own money (not match money) from their savings account and fails to replace the full amount within twelve months from withdrawal while also maintaining the on-going required savings schedule, they will be notified they will be dropped from the program and their savings account status changed to a regular (non-IDA) savings account at the participating financial institution.

**CLASS MAKE-UP POLICY**
Participants are required to satisfactorily complete personal finance and asset-preparation classes. Any missed classes must be made-up at a subsequent class session. An official Certificate of Completion must be provided to Covenant in order to complete the personal finance and asset preparation class requirement.
STAFF CONFIDENTIALITY
Covenant Community Capital staff members will never publish IDA participants’ names in, or attach their names to, any report or written summary originating from information the IDA participants have provided without his/her written consent.

Covenant staff members will store all data in a locked file cabinet and/or a password-secured computer system to which only authorized program staff will have access.

RECRUITMENT/orientation
Covenant will attend events hosted by community-based organizations (CBOs) (Avenue CDC, Fifth Ward CRC, Acres CDC, etc.) and other interested parties in order to publicize the program and recruit participants. Covenant will also work closely with the CBOs and other entities in order to help recruit participants from their customer base. An application fee of up to $50 will be required in order to cover Covenant’s cost of obtaining a three-bureau credit report and preparing a “Roadmap to Success”. Covenant will also use specific outreach materials. The outreach materials will include the following:

- Brochures describing the program in both English and Spanish
- Class schedules for Covenant and the Credit Coalition;
- Bi-monthly newsletters that include important asset-related information for our account holders and pictures from successful program graduates;
- Referrals for account holders planning on saving towards small business development to the Alliance for Multicultural Community Services or organizations with equivalent small business programs.
- Program structures and requirements

After the orientation session, Covenant’s IDA counselor will review the participant’s credit and draft a “Roadmap to Success,” which will set forth the measures required to succeed in the program, such as paying off student loans or cleaning up his/her credit. The attendees will be given this “Roadmap to Success” after the orientation, empowering them to self-select themselves for the program.

screening/enrollment process
Enrollment in Covenant’s IDA program is on a first-come-first-serve basis. An initial screening will take place to ensure the participant fits the family income guidelines, asset test, is employed and credit ready, resides in an eligible area, and has a desire to save towards an eligible asset. Enrollment will include the following program requirements:

1. Income guidelines verification (prior year income tax return)
2. Employment verification (current pay stub)
3. Proof of residency (current bill or official mail sent to the address and person) Copy of current identification card and Social Security card. Self select themselves into the program if they meet all the requirements
4. Completion of all required paperwork:
   - Potential Participant Application Form
   - Credit Release Authorization
   - Applicant Certification
   - Applicant Personal Statement
   - Credit Release Authorization
Savings Plan Agreement

5. Open a savings account with Covenant’s partner financial institution(s)
6. personal finance

OPENING ACCOUNTS
Participants will open an IDA savings account with Covenant’s financial institution partner(s), where they will deposit a minimum of $25 per month. Participants will fill out the appropriate paperwork at Covenant’s offices or Covenant’s CBO offices. The financial institution will provide regular account statements to Covenant and the program participants. Participants must make monthly deposits from their earned income.

ACCOUNT PARAMETERS
Permissible uses include purchasing a home or paying for secondary education. At the minimum, the match will be a 2:1. During the orientation session, a Covenant representative will describe the potential matches available. Upon official enrollment, participants will be notified of their match rate. The program participants will accumulate assets for an average of two to three years to achieve his/her savings goal. Individuals may receive a minimum of $2,000 in match money during his/her entire membership in the program and up to a maximum of $4,000 depending on available funding. Upon official enrollment, participants will be notified of the exact, maximum amount of available match money.

ACCOUNT MANAGEMENT STRUCTURE
Covenant’s management tracking system, Vistashare, will monitor participant savings. The participants will receive quarterly statements from Covenant showing his/her current savings, deposits and withdrawals, matching contributions, and interest in their IDA match account.

PERSONAL FINANCE AND ASSET PREPARATION TRAINING & SUPPORT

IDA participants will satisfactorily complete personal finance and asset preparation training. Covenant will be responsible for providing class schedules for the entire year to every IDA participant. IDA participants will attend the “Fundamentals of Good Credit” through the Credit Coalition for a total of six classes, normally spanning a time period of six weeks. The weekly classes will address such topics as personal financial management, credit reports, basic banking, the credit process, consumer’s laws & rights, and homebuyers’ training. The final module will be an asset specific class (homeownership or educational attainment) of which the specifics will be discussed at the time the individual opens his/her account.

A variety of training techniques will be used to make asset accumulation a habit for families. Training will include the following steps:

- **Credit and Budgeting Counseling** – This will include a review of the participants’ credit report and a class on how to clean up credit problems and build good credit. During the “Fundamentals of Good Credit” series, all IDA participants will be asked to put together a budget for their household in order to establish a pattern of savings. Further discussion will be available on these topics through phone calls with staff or one-on-one meetings that can be set up on an individual basis.
• **Money Management/Financial Literacy Classes** – the participants will attend mandatory sessions where they will follow a curriculum specifically designed to teach the vital concepts necessary for success in today’s economy. Components of the curriculum include:
  - Introduction to Personal Financial Management
  - Your Credit Report
  - Basic Banking
  - The Credit Process
  - Consumer’s Laws & Rights
  - Your Re-entry into the Credit Mainstream
  - Homebuyers’ Training

• **Asset Training/One-on-one Counseling** – the participants will receive specific training in the area of the asset for which they will use their IDA (home ownership or post secondary education). During the asset accumulation process, there will be one-on-one counseling to answer questions concerning financial management and on how the IDA program works.
  - **Pre-purchase Orientation** – all participants saving for a home must attend a Pre-purchase Orientation session prior to entering into a contract to purchase a home. The orientation will discuss how to look for a home, a lender, an inspector, and an insurance provider. The orientation will also discuss furnishing and caring for a home.
  - **Post-purchase Orientation** – all homebuyers must attend post-purchase training, which includes tips on home maintenance, tax protest, estate planning, and good neighbor skills.

• **Peer Groups** – participants will have the opportunity to be a part of peer group meetings, where they can discuss IDAs with fellow participants and with “graduates” of the IDA program. Peer groups provide an opportunity for participants to learn from the experiences of others, and to receive information and advice from experts in the field on topics not covered in other classes. These groups also support the building of social networks, which can offer continuous support in virtually all areas of living.

The curriculum will be adapted to meet the needs of adult participants who may have reading difficulties, language barriers, or schedule conflicts. It is an essential part of the curriculum that instructors have had experience working with low-income adults. Child-care will NOT be made available at any of the personal finance classes.

**Counseling and Case Work**
Covenant’s partners will serve as the first tier credit counselors for IDA participants, since they have already earned their customers’ trust and have a good working relationship. Covenant’s asset counselor will serve as a backstop, either providing basic credit counseling tips or referring them to other helpful credit counseling services.

**Emergency Withdrawals**
Participants in the IDA program are strongly discouraged from taking emergency withdrawals from their IDA; however, in the event that a financial emergency arises, participants are encouraged to discuss their situation with a Covenant representative, who may be able to offer alternative solutions to their crisis. After discussing their emergency with a Covenant representative, participants may take emergency withdrawals in accordance with the following policy and procedure:
Eligibility – Participants must get approval from Covenant before making an emergency withdrawal.

Withdrawal Uses – Authorized emergency withdrawals will only be approved when, in the judgment of the Covenant representative, IDA funds are necessary to:

1. Prevent or forestall the eviction of a participant or a participant’s family from his/her residence;
2. Prevent foreclosure on a participant’s primary residence;
3. Pay for critical health care services for a participant or a participant’s family member; or
4. Pay for critical living expenses, such as food or utilities (water, electric, and gas), following a participant’s loss of employment.

The IDA participant must provide documentation to support their emergency withdrawal request (i.e. eviction notice, foreclosure letter, health bill, etc.) for a Covenant representative to evaluate.

Amount of Withdrawals - Approved emergency withdrawals may be made in any amount up to a participant’s entire account balance. Under no circumstances may withdrawals include matching funds.

Forfeiture of Match - Participants who make emergency withdrawals will forfeit any match money earned on the withdrawn funds. These match monies may be earned again when the participant makes future IDA deposits to repay the amount withdrawn; however, any future matches will accrue under the terms of the match structure in place at the time of deposit.

Alternatives to Emergency Withdrawals - In the event that a participant applies to make an emergency withdrawal and a Covenant representative does not approve the request, that participant may choose:

1. To make do without the emergency withdrawal and continue participating in the IDA program as before; or
2. To withdraw from the program and receive a full refund of all IDA deposits and interest, but jeopardize any possibility of future program participation.

PARTICIPANT TERMINATIONS
IDA participants face termination from the program if they:

- Fail to make regular monthly deposits (9 out of 12 monthly deposits in his/her account each year);
- Make two unauthorized emergency withdrawals and fails to restore the funds within 12 months;
- Fail to complete all personal finance and asset preparation classes; and/or
- Fail to attend the pre-purchase orientation.

Participants will receive written notice that they have been removed from the IDA program and their savings account has been changed to non-IDA status at the participating financial institution (which may subject the account to minimum deposit and other fees normally waived for IDA participants).
WITHDRAWAL AND PURCHASING ASSETS
After a participant has accumulated adequate funds in his/her account to purchase the assets of their choice, and has completed the required personal finance classes and asset-specific training (together with the pre-purchase orientation if buying a home), he/she is ready to purchase his/her asset. The participant needs to contact the program manager at least two weeks before the purchase of the asset, in order to facilitate a smooth purchasing process. After receiving notice of a pending asset purchase, the program manager will send written instructions to the IDA participant for how he/she should obtain their own savings. Once Covenant has a copy of the IDA participant’s withdrawal in the form of a cashier’s check made payable to the appropriate vendor, Covenant will provide the match money earned by the participant and pay the same asset vendor directly.

AVAILABILITY OF MATCH MONEY AFTER ACCUMULATION PERIOD
Covenant’s match will be available to participants for five years from the time that they initially open their account. If at the end of five years they have not withdrawn the funds for a qualified use (homeownership, higher education, or small business), they may forfeit the matching funds.

MATCH MONEY PORTABILITY
Covenant will seek to obtain from its match donors an allowance that up to 10% of match funds be available for portability to assist clients who must migrate due to causes related to employment, education, family or natural disaster. Match fund portability is not guaranteed and is strictly dependent upon the availability of match and administrative support.

ORGANIZATION REFERRAL POLICY
Organizations having an Organization Referral Policy Memorandum of Understanding with Covenant will receive $100 for every individual they refer to Covenant’s Smart-Savings Program who opens an IDA account, completes all program requirements, and purchases their asset. Referral fees will be calculated and paid on a quarterly basis. It is the referring party’s responsibility to ensure a record is made of the referral, either personally or through the person referred.