Evaluation of Asset Accumulation Initiatives

Contract # 53-8198-4-026

Final Report

February 29, 2000

Prepared for
Carol Olander, Project Officer
U.S. Department of Agriculture
Food and Nutrition Service
3101 Park Center Drive
Alexandria, VA 22302

Prepared by
Gregory Mills, Project Director
Geraldine Campos
Michelle Ciurea
Donna DeMarco
Naomi Michlin
Douglas Welch

Internal Review

Project Director

Technical Reviewer

Management Reviewer

Contents

Executive Summary i

Chapter 1: Introduction **1**

A. Project Background 1
B. Research Objectives 3
C. Study Approach 4
D. Organization of this Report 7

Chapter 2: Literature Review **9**

A. Introduction 9
B. Rationale for Asset Accumulation Initiatives 11
C. Theoretical Context 15
D. Links Between Theory and Interventions 22
E. Conclusion 23

Chapter 3: Comparative Program Descriptions **25**

A. Background 25
B. Implementation 33
C. Major Policy Provisions 37
D. Funding Arrangements 48
E. Summary of Organizational Features 50

Chapter 4: Patterns of Participation **53**

A. Scope and Quality of Available Program Data 53
B. Levels of Participation 54
C. Characteristics of Participants 56
D. Use of Accounts 60
E. Results from Other Studies and Evaluations 63
F. Summary 65

Chapter 5: Lessons Learned **67**

A. Administrative Requirements and Resources 67
B. Requisites of Success for Participants 72
C. Reaching and Serving the Targeted Clients 77
D. Experiences of States with Non-Operational Programs 81
E. Uncertainty over Program Impacts 82

Appendices

A. References
B. Summary of Research on Effects of Assets
C. Program Directory

ACKNOWLEDGMENTS

The authors of this report wish to acknowledge the assistance provided to this study by Michael Sherraden, Lissa Johnson, and Karen Edwards of the Center for Social Development, Washington University in St. Louis. We also wish to recognize the cooperation provided by the staff who were interviewed from each of the programs under study. These 16 operational programs--by state, city, and program name--were as follows:

State	City	Program
Illinois	Chicago	Women's Self-Employment Project
Indiana	Evansville	Community Action Project of Evansville
	Fort Wayne	Fort Wayne Neighborhood Housing Partnership
	Gary	Tradewinds Rehabilitation Center
	Goshen	LaCasa of Goshen
	Muncie	Muncie Homeownership and Development Center
Iowa	Leon	South Central Iowa Community Action Program
North Carolina	Asheville	Affordable Housing Coalition (Asheville and Buncombe Counties)
	Raleigh	Passage Home (Wake County)
	Winston-Salem	Forsyth County Housing Program Experiment in Self Reliance
Ohio	Cincinnati	SmartMoney Community Services
Pennsylvania	Erie	Greater Erie Community Action Committee
	Lancaster	Tabor Community Services
	Philadelphia	Women's Opportunities Resource Center
	Pittsburgh	North Side Civic Development Council
Vermont	Barre	Central Vermont Community Action Council

In addition, assistance was provided by staff interviewed in four other states--Arizona, California, South Carolina, and Wisconsin--where enacted legislation authorized the establishment of asset accumulation initiatives, but where such programs were not implemented as planned.

EXECUTIVE SUMMARY

This study examines the experience of states in developing and operating special-purpose savings account programs for low-income households. The Food and Nutrition Service (FNS) is interested in the use of special-purpose accounts for the low-income population--especially for households receiving food stamps--as a means of promoting self-sufficiency. These accounts enable low-income persons to accumulate savings for specified purposes such as education, home purchase, home improvement, and business start-up. In many program initiatives, the account holder qualifies for matching funds to enable a more rapid accumulation of savings, as long as the account balances are used for the specified purposes. Such matched accounts are typically called Aindividual development accounts@or IDAs.

During the 1990s, special-purpose accounts became an element of welfare reform in many states, first under federal welfare reform waivers and then under the block grant flexibility provided to states through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. PRWORA gave impetus to the establishment of IDAs by allowing states to use their Transitional Assistance to Needy Families (TANF) block grants to fund IDAsCand by excluding from consideration any account balances held in TANF-funded IDA programs in eligibility determination for all means-tested federal benefits.

Other national legislation has been introduced to support asset accumulation among low-income families. The Assets for Independence Act (Public Law 105-285, enacted in October 1998) provides federal funds for the operation of IDA programs at the state and local levels, subject to requirements regarding who can participate and how the accounts will be financed and structured.

This evaluation has the following goals:

- *To describe the rationale and theoretical context for asset accumulation initiatives for low-income households.* Factors to be examined include the determinants of savings among low-income households, the extent of low-income savings, and the effects of asset accumulation within this population.

- *To identify and systematically compare special-purpose account policy, operations, and experience across a sample of programs.* Factors to be examined include the program=s purpose, current status, participating organizations, eligibility requirements, authorized uses and terms of the savings account, penalties for improper use of funds, and operational details.

- *To document what is known about the response of the target population, especially food stamp recipients, to the availability of special-purpose savings accounts.* Factors to be examined include program size, characteristics of participants versus non-participants, amounts saved, amounts withdrawn by participants, types of investments made by participants, and penalties

imposed.

- *To describe the lessons learned from these initiatives.* Factors to be examined include policy questions and how these were addressed, most effective methods of outreach, operational issues and how they were resolved, major strengths and weaknesses of the program, and unexpected consequences.

Although special-purpose accounts are generally thought to have potential for promoting self-sufficiency among low-income populations, the evidence to date is limited. This study provides a foundation for FNS to assess policy options as to how the Food Stamp Program might better encourage low-income savings and asset accumulation, and thus promote self-sufficiency.

The evaluation has included a literature review and a descriptive analysis of selected asset accumulation initiatives. The analysis is based on information collected through telephone interviews. In selecting programs for study, we first identified the states that have provided funds to support special-purpose accounts. There are 32 such states, 7 of whom have established programs that can be considered operational. From these 7 states--Illinois, Indiana, Iowa, North Carolina, Ohio, Pennsylvania, and Vermont--we selected a total of 16 local programs for this study. These initiatives are all IDA programs (i.e., matched savings account programs) that were operational for at least six months, with at least 15 account holders as participants.

Literature Review

Special-purpose savings accounts have emerged only in the past decade as a possible instrument of public policy. For this reason, the corresponding literature is limited. A number of studies suggest that poor households will respond to savings incentives. Other literature examines the effects of asset holding (e.g., homeownership) on various forms of economic and social behavior. Some studies claim strong positive asset effects, but the evidence is generally inconclusive, as the underlying behaviors are complex and the directions of causality are unclear.

Also missing from the literature is evidence that low-income households will choose to commit their savings to a restricted (less liquid) form, such as a special-purpose account. Admittedly, the data needed to test the behavioral propositions about low-income savings and asset accumulation are largely unavailable.

Comparative Program Descriptions

The sixteen programs under study have differing origins and widely varying characteristics. These initiatives are all IDA programs (i.e., with matched savings), and they all receive some amount of state funding. Beyond this, however, they exhibit variation on virtually all

significant aspects regarding policy provisions, administrative practices, and funding arrangements. For example:

- The program start dates range from December 1995 to March 1999.
- The current number of active accounts range from 17 to 440.
- Match rates range from 0.3:1 to 4:1.
- Income eligibility requirements are expressed in terms of a specified percentage of either the federal poverty level for some programs (e.g., 150 or 200 percent) or the area median income for others (e.g., 80 percent).
- Authorized account uses typically include home purchase, business startup, and education for all but one program, where only home purchase is an allowable use. Some programs also enable participants to use accounts for retirement, child care, credit repair, or emergency withdrawals.
- Programs vary as to the required minimum size and frequency of deposits, minimum participation periods (before qualifying to receive matching funds), and required attendance at financial education classes, counseling, or peer support meetings.
- The number of partnering financial institutions for each program ranged from 1 to 14.

The differences among these programs reflect the wide variation that is generally known to exist among IDA programs nationwide.

Patterns of Participation

At the time of data collection, the sixteen programs under study were fully operational and serving active account holders. All except for one were still accepting new applicants and creating more accounts. They had all been operating for at least eight months, with twelve programs operating for eighteen months or more. A total of 1,624 accounts had ever been established across all programs. Nine of the programs have had participants successfully attain their savings goals; a total of 89 savers had met all requirements and had applied their savings and the accrued match to approved asset purchases.

Participants are overwhelmingly female and a significant portion of them are African-American. The majority of female participants are heading households with children. Information on the extent to which participants were on cash assistance and/or food stamps was not available. The vast majority of participants are working at least part-time. The income restrictions in place in about half of these programs imply that almost all of those participants would be eligible for some public assistance. The overwhelming majority of

deposits are from earned income, both in programs that explicitly require this and those that do not.

Fourteen of the sixteen programs were under-subscribed. That is, the number of open accounts in these programs is smaller than the number of accounts for which funding is available or smaller than the number of open accounts respondents expected. Nevertheless, all programs perceive a significant unmet need among their target populations for asset accumulation. Several of the programs are clearly positioned to continue their IDA programs beyond the initial round of funding and already have or are building their capacities to do so. Common difficulties in filling slots include limitations on income eligibility and the amount of effort involved in recruiting and processing applicants and in supporting them throughout the program. A number of programs are in the process of seeking additional funding to add more staff to bolster recruitment and support.

More than half of current program participants are saving for home ownership (or home repair, where also allowed). The programs vary significantly in scale. In the largest of the programs under study, savers had deposited a total of almost $146,000; in the smallest, $8,500. The average account balance per participant (including both deposits and accrued match) ranged from a high of $2,361 down to $362.

Lessons Learned

The early experiences of state agencies and local organizations in developing and operating IDA programs provide a number of lessons for policy makers and program practitioners. These lessons can be summarized as follows.

The organizations that operate IDA programs face considerable requirements for staffing and other resources, which these organizations are often strained to meet with their available funds.

- *IDA programs are labor intensive.* These programs require considerable staff effort to implement initially and then to sustain effectively over the long-term periods needed for participants to succeed.

- *Participants need one-on-one attention.* Staff need to devote personal attention to each participant, in explaining and clarifying rules and expectations, monitoring individual needs, and keeping participants focused on their savings requirements and objectives.

- *Financial education classes are a key program component.* Although match money may provide the necessary incentive to attract participants to the program, the financial literacy and asset-specific training classes may have the greatest impact on participant decision-making.

- *Program effectiveness requires adequate administrative funds.* Lack of adequate administrative funds is frequently cited by program staff as a significant barrier to effective program operations.

- *IDA programs may take longer to establish than expected.* It is unexpectedly time-consuming to establish the necessary organizational arrangements (e.g., with financial institutions) and then to recruit and enroll program participants.

- *Pre-existing relationships with financial institutions prove valuable.* It is highly advantageous to build upon established organizational partnerships, as with housing-oriented programs that already partner with financial institutions.

The participants in IDA programs must commit themselves to regular savings, which they often find difficult to achieve under their financial circumstances.

- *To succeed, participants must develop trust in the program and confidence in themselves.* Program staff need to help participants overcome their wariness over the IDA concept and their doubts over their ability to save regularly.

- *Client motivation is essential to success.* Participants need to establish a strong commitment to the program to fulfill the saving requirements over the long term.

- *IDAs may not be for people who are seriously distressed.* Individuals under emotional or financial stress are less likely to sustain the required commitment to the program.

- *Account withdrawals for unspecified emergencies are an early-warning signal of participant difficulties.* A participant's seeking to withdraw funds for unallowed uses, without specifying the need for funds, tends to signal trouble ahead.

- *Individual participant success is hard to predict.* The factors, such as motivation, that enable a participant to succeed are often intangible and unobservable.

The task of recruiting and retaining participants, with the aim of making full use of program funding, is made especially difficult by the desire to serve those most in need.

- *Referral is probably the most effective outreach source.* The most successful source of qualified applicants is referral from other programs, either from outside the organization or from other programs with the same organization.

- *Rules setting minimum periods of participation may be constraining.* Such limitations sometimes prevent a participant from accessing their match funds when they are prepared to make an asset purchase.

- *Many programs are being under-utilized.* Many programs have match funds available to them that they are unable to commit because they cannot fill their authorized number of program slots.

- *IDA staff feel that programs are achieving the desired participant outcomes.* Program staff clearly feel that IDAs can and do bring about favorable changes in the attitudes and behavior of participants, in repairing credit, managing finances, and planning major purchases.

- *IDAs can support the larger mission of a sponsoring organization.* Staff feel that IDA programs not only help the participants achieve personal goals but also help the sponsoring organizations pursue larger aims related to the vitality of neighborhoods and communities.

As noted above, IDA program staff are generally confident that their program participants are indeed using IDAs as a means to save and acquire assets, consistent with the objectives of these programs. For purposes of policy-making, an even more important question pertains to the *impacts* of these programs--i.e., do IDA participants engage in saving and asset accumulation beyond what would have occurred for these same individuals if they had not participated in an IDA program?

This descriptive study was not intended to answer the question of program impacts. Two ongoing research projects will address this question. The first is an experimental evaluation of the American Dream Demonstration (ADD) program in Tulsa, Oklahoma. Interim findings, with impacts estimated through an 18-month follow-up period, will become available in late 2001; estimated impacts based on 42 months of follow-up will then be reported in late 2003. The second is an experimental impact study soon to be conducted with respect to IDA programs funded under the federal Assets for Independence Act (AFIA). The findings from this congressionally mandated evaluation, to include at least one experimental research site, are expected in early 2003.

Chapter 1: Introduction

This chapter first discusses the context of the current study, expaining the policy interests that gave rise to the research and the evolution of the study plan. We then describe the research objectives, the study approach, and the overall organization of this report.

A. Project Background

Increasing attention to asset accumulation initiatives to promote self-sufficiency

A central policy issue for the Food Stamp Program, and for publicly-funded income support programs in general, is its effect on participants= efforts to attain self-sufficiency. There is increasing attention among policy makers and policy researchers to the proposition that, to become self-sufficient, low-income individuals must not only be able to meet their immediate living needs; in addition, they must save and accumulate assetsCfor instance, by investing in their own education or training, by starting businesses, or by purchasing homes.[1]

At the same time, there is increasing recognition that program eligibility rules that set limits on countable resourcesCto target income assistance to those most in needCmay discourage the savings necessary to make the very investments that might promote long-term financial independence. More generous asset policies, it has been argued, would encourage the types of Ahuman capital investments@ or other major household expenditures that might ultimately lessen dependence on public benefits.

There are a number of ways in which the asset-related provisions of the Food Stamp Program and other means-tested benefit programs could be changed to better promote savings and self-investment. Such reforms include:

- providing more generous exclusions in defining countable assets for the purpose of determining program eligibility;
- raising the limit on the dollar amount of countable assets; or
- offering matching funds for targeted savings or expenditures.

Of particular interest here are initiatives involving special-purpose savings accounts. These are accounts in which program participants can accumulate savings earmarked for specified purposes to promote their own self-sufficiency or the well-being of other family members. Such purposes include education, home purchase, home improvement, and business start-up.

[1] Throughout this study, as explained further in Chapter 2, we use the term "assets" to refer to non-liquid items of economic value, both tangible items (such as homes or businesses) that contribute to net worth and human capital resources (such as education) that hold income-producing potential.

In many initiatives, the account holder qualifies for matching funds to enable a more rapid accumulation of savings, as long as the account balances are used for the specified purposes. Such matched accounts are typically called Aindividual development accounts@ or IDAs.

The Food and Nutrition Service (FNS) is interested in the use of special-purpose accounts for low-income householdsCespecially those receiving food stampsCin the context of state welfare reform efforts. During the 1990s, special-purpose accounts became an element of welfare reform in many states, first under federal welfare reform waivers and then under the block grant flexibility provided to states through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, Public Law 104-193). PRWORA gave impetus to the establishment of IDAs by allowing states to use their Temporary Assistance to Needy Families (TANF) block grants to fund IDAs. PRWORA also enabled states, in determining eligibility for all means-tested federal benefits, to exclude from consideration any account balances held in TANF-funded IDAs.

Other national legislation has been introduced to support asset accumulation among low-income families. The Assets for Independence Act (Public Law 105-285, enacted in October 1998) provides federal funds for the operation of IDA programs at state and local levels, subject to requirements regarding who can participate and how the accounts will be financed and structured.

Because the involvement of states in supporting special-purpose accounts has been relatively recent, there has been no systematic assessment of such initiatives. This study draws from the experience of those states that have promoted the development and operation of special-purpose account programs.

Evolution of the study plan

This evaluation was originally undertaken in response to a provision of the Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66). The statute directed the Secretary of Agriculture to test, under limited circumstances, a modified food stamp policy that offered more generous treatment of participant savings. In particular, Section 13925 (entitled ATesting Resource Accumulation@) mandated that:

> The Secretary shall conduct, under such terms and conditions as the Secretary shall prescribe, for a period not to exceed 4 years, projects to test allowing not more than 11,000 eligible households, in the aggregate, to accumulate resources up to $10,000 each (which shall be excluded from consideration as a resource) for later expenditure for a purpose directly related to improving the education, training, or employability (including self-employment) of household members, for the purchase of a home for the household, for a change in the household=s residence, or for making major repairs to the household=s home.

Pursuant to the legislation, FNS solicited proposals from state food stamp agencies to establish demonstration projects with liberalized asset accumulation policies. FNS awarded an evaluation contract to Abt Associates to monitor the procedures and outcomes associated with the state demonstrations, to document demonstration results, and to conduct a comparative review of pertinent state initiatives.

Although states were actively sought to participate in the demonstration, no appropriate demonstration sites could be identified. FNS received only one state demonstration proposal, which was considered unacceptable.

After a careful review of options for responding to the 1993 Congressional mandate, FNS decided to pursue the only part of the original evaluation plan that remained viable: a descriptive analysis of state initiatives to encourage asset accumulation among low-income households, especially among food stamp participants. That is the scope of the current research.

B. Research Objectives

This study focuses on state-supported program initiatives that provide savings and investment opportunities to low-income persons through special-purpose accounts. The study describes and compares sixteen such initiatives, documents what is known about special-purpose account participation, and draws lessons from these initiatives. The information was gathered through telephone interviews with individuals directly involved in the development, implementation, and operation of the initiatives as well as through relevant written documentation provided by programs.

The evaluation has the following major goals:

- *Describe the rationale and theoretical context for asset accumulation initiatives for low-income households.* Factors to be examined include the determinants of savings among low-income households, the extent of low-income savings, and the effects of asset accumulation within this population.

- *Identify and systematically compare each state special-purpose account policy and/or program(s).* Factors to be examined include the program=s purpose, current status, participating organizations, eligibility requirements, authorized uses and terms of the savings account, penalties for improper use of funds, and operational details.

- *Document what is known about the response of the target population, especially food stamp recipients, to the availability of special-purpose savings accounts.* Factors to be examined include program size, characteristics of participants versus non-participants, amounts saved, amounts withdrawn by participants, types of investments made by participants, and penalties imposed.

- *Describe the lessons learned from these initiatives.* Factors to be examined include policy questions and how these were addressed, most effective methods of outreach, operational issues and how they were resolved, major strengths and weaknesses of the program, and unexpected consequences.

Although special-purpose accounts are generally thought to have potential for promoting self-sufficiency among low-income populations, the evidence to date is limited. This study will provide a more solid foundation for FNS to assess policy options as to how the Food Stamp Program might better encourage low-income savings and asset accumulation, and thus promote self-sufficiency. As described later, other ongoing impact evaluations--including some with experimental designs--will provide more definitive evidence.

C. Study Approach

Selective Literature Review

We first undertook a selective literature review of asset accumulation initiatives. Our search was intended to identify both theoretical and empirical findings concerning such initiatives. We conducted a search using the DIALOG search tool, which searches academic journals, topical journals (such as economic and business publications), and major newspapers and magazines.

Our topical focus was low-income asset accumulation initiatives generally and IDA programs specifically. We searched for both descriptive and analytical material regarding such initiatives. The search yielded very little--primarily newspaper accounts of specific IDA programs. We also searched the literature on broader topics related to the savings behavior and asset holdings among American households in general. The broader literature on savings behavior is, not surprisingly, very large. Most of it, however, does not concern the savings patterns of low-income households and in particular does not attempt to explain the low levels of savings among such households. The literature on low-income asset holdings was also limited and was concerned mostly with the effects of assets on various outcomes, rather than with the mechanisms by which assets are accumulated.

Finally, we also examined the literature produced and described by two organizations at the forefront of promoting asset accumulation initiativesCthe Corporation for Enterprise Development and the Center for Social Development of Washington University in St. Louis. Both organizations have actively developed and disseminated their own materials on asset accumulation among low-income populations, and have also compiled relevant research by others.

A critical review of the theoretical literature obtained through these search methods is presented in Chapter 2. Chapter 4 summarizes several empirical studies relevant to asset accumulation initiatives.

Descriptive analysis of selected initiatives

Site selection. The field of special-purpose savings accounts for low-income households has been characterized, to a great extent, by small local initiatives undertaken by private entities, such as community-based organizations (CBOs), working in partnership with foundations and banks. Among these initiatives many are developed in the absence of any state funding or authorization. We considered such programs as outside the scope of this study because they are typically very small, idiosyncratic, andCby virtue of their establishment outside of any governmental frameworkCunlikely to affect large numbers of food stamp recipients. Accordingly, we considered only programs operating with state government involvement of some kind, through authorizing legislation or funding.

In total, 31 states have enacted legislation to support asset accumulation initiatives, with most of this legislation occurring since 1995. Of these states, 25 have specific IDA legislation; 25 have permitted asset accumulation initiatives under welfare reform, as part of their Temporary Assistance for Needy Families (TANF) programs. Even where legislation exists, however, few programs have reached any substantial size or have been operating more than two years. The program landscape is thus not one characterized by many large-scale initiatives. Collectively, states have simply not amassed much experience with special-purpose savings accounts, although this appears to be changing.[2] With some exceptions, the existing state-supported programs operate with minimal administrative involvement from state agencies themselves. In part this has stemmed from the absence of funding to support program administration. Only two states, Indiana and Pennsylvania, have established programs exceeding $1 million in annual appropriations.

As a first step in selecting programs for this study, we established distinct groupings of states that provide support for asset accumulation initiatives. We included all 31 states with program initiatives in the context of welfare reform or separate IDA legislation. We also included another state, Vermont, whose initiative has been supported with funds from a general spending bill, in the absence of prior authorizing legislation. This constituted a total of 32 states.

We then divided these states into the following three categories:

- States with operational state-supported programs (7): Illinois, Indiana, Iowa, North Carolina, Ohio, Pennsylvania, and Vermont.

- States with pending or recently enacted state-supported programs (21): Arkansas, Colorado, Delaware, Georgia, Kansas, Kentucky, Maine, Michigan,

---

[2] The Assets for Independence Act of 1998 may change the landscape dramatically over the next few years, however. This statute provides IDA funding through grants to private and public entities for five-year demonstration projects. As a result, state interest in asset accumulation initiatives has increased. IDA legislation is pending in several additional states, and new programs are being established in states that already have a legislative framework.

Minnesota, Missouri, Montana, New Mexico, New York, Oklahoma, Oregon, Rhode Island, Tennessee, Texas, Utah, Virginia, and Washington.

- States with previously enacted state-supported programs that have never become operational (4): Arizona, California, South Carolina, and Wisconsin.

The states in the second category, those whose IDA involvement was in a very early stage, were considered unlikely to yield meaningful insights. We thus eliminated from consideration the IDA initiatives in those 21 states.

In consultation with FNS, we decided to investigate one or more program initiatives in each of the seven states in the first category above. In selecting specific local programs within each state selected, we felt that the most meaningful lessons would come from sites that met the following criteria:

- ***Longer program age.*** All else being equal, we sought programs that had been operational for longer time periods, as measured from the time that the first participants were enrolled. We excluded programs that would have been operational for less than six months by the time of our interviewing.

- ***Larger program size***. We limited the site selection to those programs with at least 15 account holders.

We conducted preliminary interviews with state-level contact persons in each of the 7 first-category states, to identify the local programs that met our criteria. There were 16 such programs, as listed in Exhibit 1-1. These 16 operational programs became the subjects of this study.[3]

Exhibit 1-1: Operational Programs Selected for This Study

State	City or town	Program name
Illinois	Chicago	Women's Self-Employment Project
Indiana	Evansville	Community Action Project of Evansville (CAPE)
	Fort Wayne	Fort Wayne Neighborhood Housing Partnership
	Gary	Tradewinds Rehabilitation Center
	Goshen	LaCasa of Goshen
	Muncie	Muncie Homeownership and Development Center
Iowa	Leon	South Central Iowa Community Action Program (SCI-CAP)
North Carolina	Asheville	Affordable Housing Coalition (Asheville and Buncombe Counties)
	Raleigh	Passage Home (Wake County)
	Winston-Salem	Forsyth County Housing Program Experiment in Self Reliance
Ohio	Cincinnati	SmartMoney Community Services
Pennsylvania	Erie	Greater Erie Community Action Committee
	Lancaster	Tabor Community Services
	Philadelphia	Women's Opportunities Resource Center
	Pittsburgh	North Side Civic Development Council
Vermont	Barre	Central Vermont Community Action Council

[3] In some states (e.g., Indiana) there were some programs not selected for this study that were state-authorized and/or funded, had operated for at least six months, and had at least 15 open accounts. In such instances, we consulted with the state staff in selecting those programs that were the longest operating or largest in their number of open accounts.

Interviewing procedures. For the 16 selected localities with operational IDA programs, the following interviewing procedures were used in this study:

- Three separate interview guides were developed for this study and were cleared by the Office of Management and Budget. These instruments focused separately on Policy Issues (Interview Guide A), Implementation Issues (Interview Guide B), and Evaluation Issues (Interview Guide C).

- A primary contact person was identified for each of the programs under study, with the assistance of Karen Edwards of the Center for Social Development, Washington University in St. Louis. An introductory letter was sent to each contact person from the FNS Project Officer, describing the study and indicating that telephone interviews would be arranged.

- For each program under study, an assigned staff member from Abt Associates made an initial telephone call to the primary contact person, to identify the appropriate interview respondents, to schedule an interview with the primary contact person (if that person was an appropriate respondent for one or more of the interview guides), and to request available written program materials.

- Telephone interviews were then conducted with as many as three separate respondents for each program under study. These interviews were conducted between October 1999 and January 2000.

The interview notes, the written program materials provided by the primary contact persons, and other information gathered in the course of the literature review then became the basis for the findings reported here on these operational programs.

A similar process was used in planning and conducting interviews in the four states (Arizona, California, South Carolina, and Wisconsin) where statewide initiatives were authorized in legislation but were never implemented. In each of these states, one or two respondents were interviewed, using a more open-ended set of questions than with the 16 operational programs.

D. Organization of this Report

The following four chapters of this report address the research goals identified earlier. Chapter 2 describes the rationale and theoretical context for asset accumulation initiatives for low-income households. Chapter 3 systematically compares the policy provisions, funding arrangements, and organizational features of the programs under study. Chapter 4 examines what is known about the response of the population to the availability of special-purpose savings accounts. Chapter 5 then describes the lessons learned from these initiatives, including their strengths, weaknesses, and unexpected consequences.

The report also contains four appendices. Appendix A is a bibliography of the literature reviewed for this study. Appendix B is a summary of other research studies on the effects of assets. Appendix C contains a brief profile of each of the 16 operational programs studied here.

Chapter 2: Literature Review

In this chapter, we review previous research on the patterns of savings and asset accumulation among low-income households, and we examine the rationale for asset accumulation initiatives of the types under study here. The chapter also discusses the theoretical context for policies to promote asset accumulation and the links between theory and policy interventions.

A. Introduction

Since the early 1990s asset accumulation incentives aimed at the poor have received increasing attention as a complement to income-based approaches to promote economic self-sufficiency. During this decade a growing number of state and local initiatives, both privately and publicly funded, have been established to encourage low-income households to acquire assets through use of special-purpose savings accounts. At the federal level, Congress recently enacted the Assets for Independence Act, providing matching funds for demonstration projects using individual development accounts (IDAs). Asset accumulation incentives have gained wider acceptance as the consensus has grown that income transfers, while doing much to ease hardship, have not helped low-income people move out of poverty.

The increasing adoption of asset accumulation programs for the poor has been spurred by the work of Michael Sherraden, whose 1991 book *Assets and the Poor* first made the case for such policies (Sherraden, 1991). Additional momentum has been provided by a network of devoted community-based practitioners who now operate IDA programs at the local level. At the hub of this formal and informal network are Sherraden's Center for Social Development (CSD) at Washington University and also the Corporation for Enterprise Development (CFED).[1]

The distinction between savings and assets is an important one. *Savings* refers to funds set aside for future use. In the standard economic definition, *assets* are resources representing the potential for consumption. In this definition we might also include investments that an individual would undertake in order to better his or her economic situation (thus leading indirectly to higher consumption) – for example, education or entrepreneurship. Assets can provide a flow of consumption goods and services directly (such as housing), or they can provide money that can be used to purchase consumption goods (such as stocks, bonds, or cash in a savings account). Accordingly, much of the literature considers cash savings as a

[1] CSD is a university-based research center that monitors state and local IDA developments and offers evaluation support and technical assistance to IDA programs, especially those participating in the American Dream Demonstration (ADD), a series of 13 local IDA pilot demonstration projects. CSD has developed the Management Information System for Individual Development Accounts (MIS IDA), a software program used by the ADD sites and other IDA programs nationwide. CFED is a policy analysis and advocacy group that seeks to promote asset-building strategies, primarily in low-income and distressed communities. It does not operate IDA programs directly, but has orchestrated the sponsorship of the ADD sites. CFED monitors federal and state policy developments regarding IDAs and operates a listserv for program practitioners.

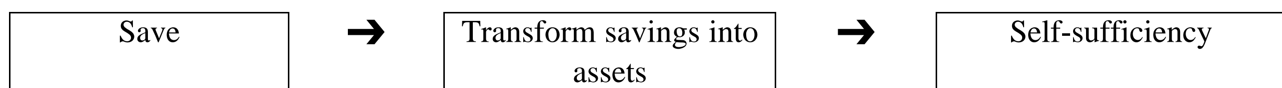
type of asset. However, in the context of asset accumulation initiatives--and in this report--savings and assets are two different things. Assets here refer specifically to items of economic value, such as housing, education, or a small business, that may be purchased with cash savings. Therefore, a crucial step in the process is that cash savings be *transformed* into assets.

It is important to note that economic self-sufficiency is *not* a major element of the rationale for IDAs as articulated in *Assets and the Poor* and in subsequent work by Sherraden and others. Asset accumulation is viewed as a worthy objective, even if it does not lead to self-sufficiency, because it creates other positive behaviors (discussed further in this chapter) that are desirable in themselves. Accordingly, most of the literature on asset accumulation does not address its effects on economic self-sufficiency. The theoretical and empirical links between asset accumulation remain to be established.

However, in the context of welfare reform, self-sufficiency (defined as lack of dependence on public assistance) is a reasonable objective. It is not difficult to posit a behavioral model linking asset accumulation and economic self-sufficiency. It would be driven by these premises:

- To become self-sufficient, individuals need to acquire assets such as a home, post-secondary education, or a business.
- To obtain those assets, individuals must be able to save.
- Savings can be promoted among the poor by the introduction of certain incentives.

This implies a simple behavioral model consisting of three major elements:



The main behavioral implications of this model, and the research questions that stem from them, are:

1. Individuals must first save (Do the poor save? What factors help or hinder?)

2. Individuals must transform cash savings into assets (Do they? For what purposes? What factors help or hinder?)

3. Assets have certain direct and indirect effects, among them self-sufficiency (What are the effects of assets? Is self-sufficiency among them?)

One of the key conclusions stemming from the literature search conducted for this study is that the literature covers some, but not all, of these important research questions. There is some research on whether the poor save and on the determinants of saving, as well as on

some effects of assets. But there is very little research, either theoretical or empirical, on the second point, which concerns the crucial policy question of whether savings are indeed transformed into assets; and on one aspect of the third: whether assets do in fact promote economic self-sufficiency.

Most of the literature in this field is of a practical nature, consisting of descriptive information (who=s doing what) or technical assistance (how-to). It consists of newspaper accounts, informative bulletins, or other descriptions of how various sponsors operate their specific programs. The empirical evidence consists of monitoring data obtained from ongoing projects.

Most significantly, the current body of literature on asset accumulation is focused on *savings behavior* and not on *asset accumulation initiatives* as such. Much of the relevant research is culled from the literature on savings, or the (much smaller) literature on the effects of asset possession. Although there is a large body of literature on savings generally, very little exists on the savings patterns or asset accumulation behavior of U.S. low-income households. The current lack of literature on asset accumulation *initiatives* is not surprising given the relatively recent implementation of these programs. Although there appears to be no lack of attention to these programs, such initiatives have simply not been active long enough for a body of impact research to evolve.

Moreover, there exists no body of theoretical literature on asset accumulation *incentives*. What we surmise about the behavioral impacts of such incentives is derived from a literature which examines the effects of possessing assets. This literature does not address the issue of how those assets were obtained (via incentives or not) or what the effects of incentive mechanisms might be. Thus, a major point of the analysis of the literature is that because of these gaps, we are left to largely *infer* the implications of this work for asset accumulation policy specifically.

B. Rationale for Asset Accumulation Initiatives

Two premises drive the interest in asset accumulation initiatives: first, that assets are unequally distributed in the United States and, second, that asset-holding is important to economic well-being. We assess these below.

Unequal Distribution of Assets in US

Low-income households have very low levels of asset accumulation; the Aasset gap@ is acknowledged to be even greater than the Aincome gap.@ For example, the top 20 percent of American households (as ranked by income) hold nearly 70 percent of net worth and almost 90 percent of net financial assets. These same households account for less than one-half of all income (49 percent in 1997).[2]

[2] See U.S. Census Bureau, AMoney Income in the United States: 1997,@ September 1998, p. xi.

As would be expected, those in the lowest income quintiles possess fewer assets. According to 1993 data from the Survey of Income and Program Participation (Eller and Fraser, 1995), the ownership rate for all types of assets increased with income. For example, the home ownership rate was 42 percent among those in the lowest income quintile[3] and 86 percent among those in the highest quintile. Similarly, the rate of ownership of equity in one’s own business or profession was 6 percent among those in the lowest income quintile and 19 percent among those in the highest. Finally, 42 percent of those in the lowest income quintile possess savings accounts (interest-bearing assets at financial institutions) compared to 92 percent of those in the highest income quintile. Further, as reported by Oliver and Shapiro (1995), these inequalities are much sharper for blacks than for whites, and they affect large numbers of children.

Why are assets so unequally distributed? No doubt it partly reflects income inequalities. But some proponents of asset accumulation policies contend that the reasons go deeper; that it is promoted by tax assistance and assistance program policies. There is a long history of asset accumulation policies in American social policy, from the 19th century Homestead Act to the post-war GI Bill to today=s mortgage interest tax deduction, individual retirement accounts (IRAs), 401(k) retirement plans, and other retirement savings incentives. Proponents of asset accumulation programs claim that modern asset incentives benefit primarily the middle and upper classes, and not the poor. They note that the mortgage tax deduction benefits primarily those who are already asset rich, and that retirement incentives benefit the middle class. In principle, tax benefits which are not specifically targeted to the poor may also benefit them. However, proponents of asset accumulation schemes argue that the poor do not have high enough tax liabilities to benefit from such incentives.

Similarly, government expenditure programs are agrued to benefit primarily the non-poor. Sherraden et al. (1995) found that 84 percent of direct program expenditures for income security, health care, housing, nutrition, education, employment, and social services are not means-tested, and *therefore* do not specifically target the poor. (The Apoor@ population refers to those with incomes below the federal poverty level.)

However, programs that are not means-tested still provide benefits to low-income recipients. The extent to which these programs actually benefit different income groups is unknown.[4] For this reason, there is little basis for concluding that the poor fail to benefit from welfare expenditure programs.

---

[3] Quintiles are defined as up to $1,071 in household monthly income for the lowest income quintile, and over $4,721 for the highest income quintile.

[4] Sherraden et al. (1995) note that Athe exact dollar amount of federal welfare spending that goes to poor households is unknown,@ but notes that it probably ranges between 12 and 20 percent. In comparison, the officially poor comprise about 14 percent of the population. (AThe poor@ refers to those with incomes below the federal poverty line. AWelfare expenditures@ refer to the broad expenditure categories specified in the text.)

Proponents of asset accumulation initiatives claim that asset restrictions on eligibility for income support impede asset accumulation among the poor. Powers (1994) found that a one dollar difference in the AFDC asset limit was associated with a 30-cent difference in the assets of comparable female-headed households. Some client advocacy groups claim, more strongly that they actually discourage it. However, it may be an overstatement to claim that these policies *cause* low asset accumulation among the poor, as few recipients even approach the asset limits. For food stamps, the most recent evidence on the asset holdings of participants comes from the 1998 national quality control data. An estimated 71 percent of participating food stamp households in 1998 had no countable assets, either vehicle or non-vehicle.[5] A study by Mathematica Policy Research using 1994 data from the Survey of Income and Program Participation provides specific information about non-vehicle asset holdings. See Wemmerus, et al. (1999). Among all food stamp participants in 1994, an estimated 82 percent had no countable non-vehicle assets. Fully 94 percent had either no countable non-vehicle assets or an amount less than $500.[6] This suggests that the food stamp asset limit of $2,000 ($3,000 for households with an elderly member) has little effect on the savings behavior of program participants.[7]

Nevertheless, the concern that low asset holdings pose an obstacle to self-sufficiency among the poor has spurred some changes in assistance program policy. Asset accumulation policies can be of two types: those which *remove barriers* to asset accumulation and those that *actively promote* asset building.

Since the passage in 1996 of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), state welfare policies increasingly have removed barriers to asset accumulation by relaxing asset-based eligibility restrictions. According to the General Accounting Office (GAO, 1998), as of October 1997, 39 states planned to increase their limit for countable assets in determining eligibility for their Temporary Assistance to Needy Families (TANF) programs, and 48 states had increased their vehicle allowances. As shown in Exhibit 2-1, the Food and Nutrition Service had granted approval for asset accumulation waivers to seven states prior to the passage of PRWORA.[8]

---

[5] Food and Nutrition Service, unpublished tabulation provided by Jenny Genser of the Office of Analysis, Nutrition, and Evaluation.

[6] See Wemmerus et al. (1999), Tables 22 and 23.

[7] The asset limit pertains to: cash on hand, checking and savings accounts, savings certificates, stocks and bonds, individual retirement accounts (IRAs) and Keogh plans (less any early withdrawal penalties), nonrecurring lump-sum payments (such as insurance settlements), and a portion of the fair market value of vehicles (in excess of $4,500 for 1994, adjusted to $4,650 for 1998) and the equity value of recreational property. Countable assets do not include the value of one's residence and certain other resources whose value is not readily accessible to the household or that must be disregarded by federal law.

[8] Food and Nutrition Service internal document, memo from Anita Cunningham to Carol Olander, December 1, 1998.

Exhibit 2-1: States that Received Asset Accumulation Waivers from FNS

State	Waiver Terms
Arizona	Excludes unearned income and 50% of earned income (not to exceed $100/month) deposited into IDA account.
Maryland	Allows an additional $2,000 resource limit for each child with earnings, if each child's assets are kept in a separate account.
Oregon	Allows non-public assistance households to accumulate and retain resources up to $10,000.
South Carolina	Excludes from countable income a lump sum payment of $10,000 or less deposited into an IDA.
Texas	Disregards IDA accounts up to $10,000 from resource consideration; disregards income from matched funds deposited into an IDA.
Vermont	Disregards accounts accumulated from earnings for TANF households when determining eligibility.
Virginia	All recipients and applicants allowed to establish a savings account not to exceed $5,000 including interest.

A major vehicle for actively promoting asset accumulation are individual development accounts, or IDAs. These are individual savings accounts earmarked for specific investments such as education, home purchase, or business startup. A key feature is that an individual=s savings are matched by a private sponsor or public funding source. There are currently 32 states that have some form of IDA program either as part of welfare reform or in the context of separate IDA legislation. (These 32 states comprise the universe for this study.)

IDAs have emerged as primarily a state and local phenomenon. Many programs are small and operated outside the public sectorCfor example, by banks, credit unions, or non-profit organizations. The total number of IDA initiatives is unknown.

Federal support for IDAs was first provided under PRWORA, where IDAs are an allowable use of a state's TANF funds. The recently enacted Assets for Independence Act (AFIA) of 1998 now provides impetus for more programs to be established in the coming years.

For a food stamp household participating in an IDA program, one's account balance may or may not be counted as a food stamp resource--and thus may or may not jeopardize one's food stamp eligibility. This depends on how the particular IDA program was established. If the program was established under an FNS waiver or under a state TANF plan, the IDA balance (one's deposits, interest, and the accrued match) is excluded as a food stamp countable resource. If the program was established under AFIA or private sponsorship, deposits and interest are considered a countable resource, but the accrued match is not. (Because the match is typically released to the account-holder only upon an authorized withdrawal, such amounts are never available for the household's general use.)

Link Between Asset Accumulation and Self-Sufficiency

If policies do succeed in helping the poor accumulate assets, how might this promote self-sufficiency? As stated previously, it is important to note that Sherraden and other researchers in this field do not seek to link asset accumulation and self-sufficiency. For them, asset-based policies are justifiable even if they do not lead to self-sufficiency. However, such a

linkage is reasonable to suppose. The rationale for an asset-based policy, as presented by Sherraden in *Assets and the Poor*, lies in two arguments. First, assets promote a longer planning horizon, which promotes long-term investments (such as education), more careful husbanding of resources, and better maintenance of assets. Second, asset holdings promote a variety of positive attitudes and behaviors, including household stability, risk taking, personal efficacy, community involvement, and political participation. The linkage is indirect, but it is reasonable to suppose that these positive behaviors also promote self-sufficiency. Additionally, the possession of assets can also be the *direct* means of attaining self-sufficiency. If we consider education and training an asset (as asset accumulation initiatives do), it is clear that possession of this asset permits individuals to obtain better jobs, thus increasing their self-sufficiency. Other types of assets, such as vehicles, can help attain the same end. The effect of other types of assets, such as housing, may be less direct. But to the extent that they provide individuals with a more stable situation, their effect on self-sufficiency would seem to be potentially strong.

C. Theoretical Context

Recall from the behavioral model specified previously, that there are three Asteps@ between savings behavior and self-sufficiency:

1. Save
2. Transform savings into assets
3. Assets lead to self-sufficiency

At each of these steps, we would hope that theory might illuminate the process by which relevant behaviors occur or effects accrue. We address each of these elements in turn below.

Determinants of Savings

Why do people saveCor not save? The fields of economics, psychology, and sociology all offer various theories of savings. In some cases, the differences between theoretical approaches are sharply defined; in others, the various theories are not inconsistent but merely reflect the application of different conceptual constructs to the phenomenon of savings. The summary below is taken from an analysis of theoretical approaches presented in Beverly (1996).

Classical and Keynesian economic theory posits that utility derives from consumption, with assets in this context viewed as merely a storehouse for future consumption. *Economic theories* of savings have cast savings largely as the residual left over after consumption needs have been satisfied. A number of alternative economic theories of savings have proposed various refinements on these fundamental notionsCfor example, by suggesting different, sometimes intergenerational, time frames that motivate savings behavior or by adopting differing assumptions about risk and uncertainty; or by studying the effects of liquidity

constraints. However, these competing theories do not challenge the underlying view that savings is a mechanism for shifting consumption from the present to the future.

For the most part, mainstream economists have ignored the savings behavior of low-income households. Implicitly, the motivations for savings behavior has been assumed to be the same for low-income households as for middle class and wealthy ones. However, some studies have focused on differing rates of time preference for consumption, finding that the poor are Aless patient@ for consumption than the rich. One of the general constraints of economic studies is that they typically rely on analysis of large-scale quantitative data. The analysis focuses on savings patterns and the correlates of savings; the motivations for savings are thus inferred rather than explicitly probed.

In contrast, *psychological and sociological theories* of savings emphasize the changeability of preferences and motivations (that is, they do not regard preferences as fixed). They posit that because attitudes and behaviors are changeable, they are responsive to incentives and learned modifications. Many psychological approaches are grounded in a framework of stimulus-organism-response, and they focus on the effects of motives, aspirations, and expectations. Thus, they posit that savings is conditioned by attitudes, and attitudes in turn by cultural norms, family values, education, and past success at achieving a goal. This directly challenges the neoclassical assumption that preferences are fixed. Further, such theories treat savings as a deliberate proactive decision, rather than as the residual of consumption.

Behavioral theories of savings combine some elements of economic and psychological approaches. As with psychological approaches, behavioral theories accept the proposition that preferences are not fixed (thus challenging the premise of most economic theories). They also posit that individuals create their own incentives and constraints rather than just responding to external ones – for example, by allocating wealth with a series of "mental accounts," some of which they are more likely to invade. As with neoclassical economic approaches behavioral theories assume that individuals are maximizing in their behavior (in this context, seeking to maximize positive reinforcement). Finally, they propose that individuals allocate household wealth into a series of Amental accounts@ devoted to different purposes. None of these premises are inconsistent with psychological and sociological theories.

Finally, *institutional theories* focus on the extent to which individuals= savings behavior is conditioned by the institutions through which they save. Sherraden's approach emphasizes the role of institutions in asset accumulation, and the incentives and disincentives which they create. Institutional incentives can include economic incentives such as including tax-deferred personal accounts (such as IRAs or Keogh accounts), employer-based mechanisms (such as 401(k) plans or credit unions), or other voluntary associations (such as Christmas clubs), as well as non-economic ones such as the provision of information and training.

Beverly (1996) provides a comparison of various savings theories from the perspective of a proponent of institutional savings approaches. It is important to note that institutional theories are not so much a contradiction of economic or other theories but rather represent a shift in focus (to the institutional drivers of behavior). The central prediction of institutional theories is that savings behavior does respond to savings incentives and disincentives. Most mainstream economists would not disagree.

Research methods for the non-economic studies are typically qualitative and individual-based. Such studies frequently probe for individuals= motivations for savings (unlike economic studies, which generally infer these from observed savings behavior), but they are less useful as predictors of aggregate savings patterns.

Institutional theories imply that savings behavior can be responsive to certain incentives, and thus offer a broad justification for establishing this class of incentives in the first place. However, they do not imply anything more specific about *how* asset accumulation initiatives should be implemented.

Does the empirical evidence suggest that one type of theory is more valid than another? These categories of theories are too broad to support such generalizations, and it is beyond the scope of this study to examine the support for each specific theory in each of these classes. However, the assessment of Beverly (1996) is useful. She notes that Adespite some evidence for psychological determinants of behavior, most studies that examine these variables find--as .... mainstream economic models predict--that economic variables are the primary determinants of behavior.@[9] With regard to behavioral theories, she notes that there are few empirical tests of these theories, most of which are not direct tests. More research is needed, she concludes, to establish whether these theories do in fact explain savings patterns.

Finally, with regard to institutional theories, Beverly notes that there is empirical evidence (though not unanimous) that suggests savings behavior, even that of low-income individuals, responds to institutional opportunities, incentives and disincentives. For example, Beverly cites a study by Powers (1994) which found that a one dollar difference in the AFDC asset limit was associated with a 30-cent difference in the assets of comparable female-headed households. Evidence from 1985 and 1995 community credit union data indicated that average savings was higher at credit unions that offered certificates of deposit and IRAs and at those paying higher interest rates. This does not establish causality, but is consistent with the premise that institutional mechanisms played a role in promoting savings.

Carney and Gale (1998) summarize several possible reasons for low asset levels among the poor. These include: pressing consumption needs, high rates of discounting future consumption (i.e., a weaker tendency to exchange lower consumption now for higher consumption later), a reinforcing interplay between demographic factors (such as low

[9] Beverly (1996), p. 19.

education) that depress both income and assets, psychological and sociological factors (such as lack of successful role models), a lack of institutional mechanisms to save, and government policies (such as the use of asset limits in determining eligibility for cash and in-kind program assistance) that place a high implicit tax rate on asset accumulation.

Carney and Gale (1998) examined the correlates of low wealth using two measures of wealth: net worth and financial asset value. Using data from the Survey of Income and Program Participation (SIPP), they found that traditional factors such as higher income, higher education, and marital stability were positively associated with net worth and financial assets. However, even after controlling for a host of other factors (such as income, age, education, and marital status), Carney and Gale found significantly lower levels of wealth among public assistance recipients and among black households.

Racial disparities in asset-holding have also been noted in other previous research. Oliver and Shapiro (1995) have documented lower wealth levels among black households, after controlling for other socioeconomic factors. Racial disparities have also been noted by others such as Wolff (1998), and Hurst, Luoh, and Stafford (1998). Further, as demonstrated by Wolff (1998), and Hurst, Luoh, and Stafford (1998), the wealth gap appears to be widening between blacks and others.

Transformation of Savings into Assets

There is virtually no theoretical literature that examines the mechanisms by which cash savings are transformed into assets. (As discussed earlier, savings can be considered one form of asset, but in this context we distinguish between cash savings and the types of purchased assets promoted by most asset accumulation schemes.)

This step is crucial because it cannot be *assumed* that individuals will want to transform cash savings into non-liquid assets. In fact, there are compelling reasons for them not to do so. IDA programs require that individuals “lock up” their savings in IDA accounts, and then spend them to purchase non-liquid assets. These provisions make individuals unable to spend the funds on immediate needs such as emergencies. In short, IDA programs require individuals to forego the benefits of perfect liquidity for the savings deposited into an IDA account.

Sound financial management dictates that households maintain a certain level of savings in liquid form – most financial consultants recommend about three months’ income – for emergencies. There is no reason to believe that poor households are any less rational than middle-class ones in wanting to maintain a buffer against financial shocks. If this is the case, we would expect poor households, like any others, to be reluctant to “lock up” their *entire* cash savings in assets which are non-accessible and non-liquid. This is not to say that individuals may not participate in IDA programs; it is to say, however, that they may participate in order to use the IDA account as a de facto savings account, without ever transforming the savings into the targeted assets.

In fact, the structure of most IDA programs creates that incentive. In most IDA programs, the only penalty for an unauthorized withdrawal of one's own deposits is forfeiture of the cash match (rather than payment of a cash penalty); in that case, the IDA account reduces to a regular bank account. Thus, participating in an IDA program may be perfectly rational economic choice because it provides a potential benefit (a cash match if the target asset is purchased) with no serious penalty if funds need to be withdrawn for some other purpose.

Thus, liquidity preference may be an important factor in the decision to transform savings into assets. An important empirical question is whether poor households will choose to transform liquid assets (savings) into non-liquid ones. It may well be that households do so only after attaining some threshold level of liquid savings as a buffer against emergencies. Arguably, this may explain why asset accumulation incentives have worked well among the middle class: such households already have, or feel that they have, Aself-insured@ against emergency needs. If this is the case, it may be unrealistic to expect poor households to go from essentially zero savings to non-liquid savings in one step.

Unfortunately, this issue is not addressed by the current literature. The limited literature that addresses the issue of liquidity is discussed below in the context of asset effects.

Effects of Asset Accumulation

A small but noteworthy literature does exist on the consequences of accumulating assets. Because this literature does not focus on *how* assets are obtained--e.g., how savings are transformed into assets--the impact of targeted savings initiatives is still unknown. Instead, the literature helps identify the outcomes that might occur if savings initiatives succeed in enabling individuals to meet their asset accumulation goals.

Do increased asset holdings produce the intended improvement in attitudes, behaviors, and other economic circumstances? There are several useful, if largely uncritical, reviews of the asset accumulation literature, including Page-Adams and Sherraden (1996), Scanlon and Page-Adams (1999), and Boshara et al. (1998). We do not, therefore, review each article individually here but have included one of the most comprehensive research summaries, from Boshara et al. (1998), in Appendix A. This review summarizes approximately 50 articles that examine the various effects of homeownership and the effects of other assets on marital stability, family health, children's well-being, and economic security.

The articles reviewed in Appendix A suggest that asset accumulation has a wide range of desirable effects. They include household stability, long-term thinking and planning, effort in maintaining assets, human capital development, risk taking, personal efficacy, self esteem, social status, community involvement, and political participation.

Only a few studies examined the impact of asset accumulation on other economic outcomes. Economic security is defined in terms of employment, educational attainment, financial gifts,

income above the poverty level, and financial assets. Assets are indicated by homeownership, wealth, and savings.

Only five of the studies cited in Appendix A examined the relationship between asset accumulation and economic security. Goss and Phillips (1997) found that homeownership reduces the duration of unemployment. Kane (1994) found that homeownership is associated with high school graduation and college entry among African Americans. McGarry and Schoeni (1995) noted that wealth is associated with financial gifts. Rocha (1997) found that single mothers with savings are more likely to maintain their families above the federal poverty level. Finally, Rossi and Weber (1996) found that homeowners have higher financial assets and more debt than renters.

In the context of welfare reform, the most direct measure of economic self-sufficiency would be reduced dependence on public assistance. By that measure, none of these studies directly measure economic self-sufficiency, and we would have to conclude that the literature is silent on the point that assets promote self-sufficiency. However, these studies may be said to be compelling if we accept a broader notion of self-sufficiency--control over one's current economic well-being and one's economic future. In that sense, they can be said to provide encouraging, suggestive evidence that assets *can* promote economic self-sufficiency.

There are some important limitations in this body of literature. First, the interpretation of results is often ambiguous because the direction of causality is unclear. Many studies conclude that assets *cause* particular changes, such as increased self-esteem, life satisfaction, household stability, etc. However, it is equally plausible that such factors are also the determinantsCnot solely the outcomesCof asset accumulation. It may also be that both asset accumulation and attitudinal or behavior traits are caused by some third factor. For example, Scanlon and Page-Adams cite a number of studies that find home ownership to cause high educational attainment in children, as well as lower rates of marital violence. But it may be that the children of homeowners do better in school because people with good long-term planning skills tend to buy homes *and* stress educational achievement to their children. Likewise, homeowners may experience lower rates of marital violence because couples in severe discord tend not to make major joint purchases.

A second shortcoming of the literature on asset effects is that these studies tend to treat all forms of assets the same. Different types of assets might have very different effects on outcomes. One distinction that may be crucial, but not recognized, is asset *liquidity*. Both liquid assets (such as savings accounts) and non-liquid ones (such as home equity) are typically grouped together.

Liquidity may be a critical factor in understanding the asset accumulation behavior of low-income households, and their probable response to asset accumulation incentives, such as IDAs. Liquidity preferences may determine whether savings are transformed into assets (as they are defined in this policy context) in the first place. Finn et al. (1994) found that asset liquidity is of crucial importance to poor households as it provides a buffer against

unforeseen economic shocks. Among households who live chronically on the edge of severe financial hardship, a highly liquid emergency fund is essential. The same study found that some non-liquid assets can have substantial negative effects. For example, ownership of a home or business can restrict household mobility both physically and financially because the household is tied to a major investment. Maintenance, especially in run-down high-crime neighborhoods, can also drain valuable resources that could be used for other household needs. Finn concluded that Aassets [alone] did not provide clear avenues out of poverty. If asset-based programs are to raise the economic status of poor families .... they must include mechanisms to protect [asset] value and reduce uncertainty.@

Asset accumulation initiatives frequently provide incentives only for non-liquid assets: home ownership, microenterprise, and education. Most IDA programs allow unmatched withdrawals for emergencies.

It may well be that the most effective asset accumulation programsCin terms of attracting the most participants and promoting regular savings patternsCare those with relatively few restrictions on the use of accounts. Further, it remains to be determined whether the accumulation of liquid assets promotes the same socially desirable behaviors as non-liquid ones.

One study is particularly relevant to these issues. Yamada and Sherraden (1995) tested alternative directions of causality, as well as the separate effects of liquid assets (savings) and non-liquid ones (housing value). Using longitudinal data from the Panel Study of Income Dynamics (PSID), Yamada and Sherraden tested the effects of savings and home value on five attitudes and behaviors: prudence, efficacy, time horizon, connectedness to community resources, and effort to acquire non-money income or human capital.

As predicted by the authors, savings had a positive effect on prudence, efficacy, horizons, and connectedness -- but not on effort. The non-liquid measure of assets, house value, had a significant effect on only one behavior, horizons. This suggests that liquidity does matter, and that the effects of non-liquid assets may be weaker than those of liquid assets.

Yamada and Sherraden also tested for the direction of causalityCthat is, to what extent are positive attitudes or behaviors the precursors to asset accumulation? They did so by pathway analyses (structural equation modeling). Some of the behaviors were found to have significant positive effects. Specifically, prudence and effort had effects on house value, while efficacy and connectedness affected savings. These effects are modest in size, but their existence suggests that causality indeed works in both directions. At a minimum, these findings suggest caution in attributing causality between assets and behaviors. The authors interpret these results as evidence that “it works both ways” in that changes in assets affect behaviors and the same changes in behaviors lend to more assets. In short, they claim, this supports the notion of a “virtuous circle” in household development.

Upcoming Studies

Consistent with the behavioral model described above, the success of asset accumulation policies for the low-income population depends on three questions: First, can poor households be encouraged to save? Second, will they transform their additional cash savings into the intended forms of assets? Third, will such asset accumulation lead to economic self-sufficiency?

Further evidence on these issues will emerge from upcoming studies and evaluations. Two ongoing evaluations are described below.

The most significant, systematic research effort undertaken to date is in conjunction with the American Dream Demonstration (ADD). This is a series of pilot IDA projects sponsored by a consortium of foundations under the leadership of the Corporation for Enterprise Development and the Center for Social Development (CSD) of Washington University in St. Louis. The demonstration involves 13 organizations selected competitively to design, implement, and operate local IDA programs. The demonstration plans to establish a total of 2,000 IDA accounts, with each of 12 sites establishing between 50 and 150 accounts, and one site establishing 500 accounts. This large site is operated by the Community Action Project of Tulsa County (CAPTC) in Tulsa, Oklahoma. The demonstration extends from 1997 to 2001, with an additional two years of post-program evaluation. Preliminary findings from the ADD sites are described in Chapter 4.

Impacts at the CAPTC site will be evaluated by Abt Associates using an experimental design. This is the largest research effort undertaken to date on low-income asset accumulation and will add substantially to our understanding of the effects of such initiatives on savings patterns, home ownership, microenterprise development, educational advancement, and net worth.

A second research effort now under design is the congressionally mandated evaluation of IDA programs funded under the Assets for Independence Act. Abt Associates and the Center for Social Development are now jointly engaged in a one-year design phase that will lead to the startup of data collection activities in the fall of 2000. One site is to be designated as an experimental site. The research will include a process study, impact study, and cost-benefit analysis. Data collection activities will include site visits, in-depth participant interviews, a multi-wave household survey, and monitoring of account usage.

D. Links Between Theory and Interventions

In principle, a policy intervention aimed at promoting self-sufficiency should be informed by a theoretical framework, generate testable hypotheses, and might even suggest implementation alternatives with different behavioral implications. However, the link between theory and the practice of asset accumulation initiatives is very weak. What *theoretical* literature there is concerns savings behavior or the effects of asset holdings.

There is no body of theoretical literature that directly addresses the features of asset accumulation initiatives most likely to help or hinder asset accumulation.

Implementation features are driven largely by common sense rather than theory, and there are different interpretations of what makes sense. For example, some argue that fairly restrictive programs are most likely to succeed because they impose structure, and structure is necessary for a sustained savings effort. Others argue that less restrictive programs promote success better because they take into account the economic realities that the poor face, and that making allowances for these helps individuals work regular savings into their lives. It is hoped that as such programs become more widespread, the track record itself will suggest which features promote or hinder success. As noted earlier, two important contributors in this regard will be the ongoing American Dream Demonstration and the systematic evaluation effort required by the federal Assets for Independence Act.

E. Conclusion

The literature on asset accumulation initiatives for the poor is small and incomplete. The literature on asset accumulation *incentives* per se is virtually non-existent. Most of the existing research on assets concerns the effects of assets, not on how they were obtained. It is intuitively credible that assets, in addition to income, are an essential part of economic self-sufficiency, but the literature is largely silent on this score. There is a (small) body of research that examines the effects of assets on various behaviors. However, studies that claim strong positive asset effects are far from conclusive. The underlying behaviors are complex and most likely circular; it is likely that such incentives will work best for individuals who already possess some positive savings behaviors. Asset accumulation initiatives may turn out to *enhance* a Avirtuous circle@of savings, rather than to create one from scratch.

Also missing from the available research is evidence that households on the economic edge will choose to commit their savings to non-liquid assets. If the poor manage to accumulate savings, it is not a given that they will choose to spend them on the non-liquid assets favored by asset accumulation programs. Indeed, poor households may prefer consumption now over consumption later because their present needs are urgent. This suggests that cash savings may not be transformed into non-liquid assets, even if savings levels permit it, and even if incentives exist to do so. Perhaps the most compelling evidence will come from the track record of ongoing IDA demonstrations.

Chapter 3: Comparative Program Descriptions

This chapter describes the sixteen operational programs under study, with respect to their corresponding state and local policy provisions, organizational roles, administrative practices, and funding arrangements.

A. Background

To understand any specific IDA program, it is important to first understand two factors which affect it: state legislation and regulations that govern it, and the nature of the local organization that operates it. These two factors create the framework within which an IDA program operates.

The state legislation determines what programs may and may not offer. The local service provider determines almost everything else to do with program implementation. Unlike the public assistance system, actual IDA operations are conducted by local non-profit organizations that typically fold an IDA program into their existing operations. IDA programs, therefore, typically reflect the strengths, weaknesses, and idiosyncracies of their parent organization. The significance of these contextual factors is discussed in more detail below.

Role of the States

Our interviews included extensive questions about the legislative origins of IDA programs in each stateCe.g. key supporters, relation to welfare reform efforts, and unique historical features. For the most part, however, respondents knew little about these factors. These issues had typically been addressed by state legislators, some of whom were no longer in office. As program specialists, respondents were familiar with legislative provisions but had little to say about how policy and legislative features had been developed. Of greater importance for the respondents, and for IDA operations, are the legislative provisions that govern how programs operate. These are described below.

We studied local IDA programs in seven states: Illinois, Indiana, Iowa, North Carolina, Ohio, Pennsylvania, and Vermont. Except for Vermont, these states all have enabling IDA legislation, having been passed between 1996 and 1998.[1] Typically the local IDA programs had been operationalized within a year of state legislative enactment. Even though we avoided selecting the most recently established local programs (as explained in Chapter 1), the programs that we studied were relatively new. A number of respondents cautioned

---

[1] IDA legislation is pending in Vermont for the 2000 legislative session, but had not been enacted at the time of our study. However, even in the absence of IDA legislation, the state provides funding for one IDA program, operated by the Central Vermont Community Action Council, and has assured funding until 2001.

against making broad generalizations about such young programs. Our findings are best interpreted, then, as a snapshot of a dynamic and emerging field. Note that there also exist many privately funded IDA programs in which the public sector has no role.
A major finding of this report is that IDA programs are very different from the public assistance delivery system. The states=role is limited to oversight and regulation. The state agencies=roles involved, at most, developing guidelines, managing the Request for Proposals (RFP) process for selecting grantee organizations to operate the programs at the local level, and reviewing the required annual reports of grantee organizations. Actual operations are conducted by local organizations, typically non-profit entities. Even in states with the most centralized approach, Indiana and Pennsylvania, the state agency has little to do with day-to-day implementation of the IDA programs.

The role of the state is also, through legislation, to define the substance of what IDA programs in that state can offer. The major legislative provisions of each of the states we studied are summarized in Exhibit 3-1. (Vermont, one of study states, is excluded because it has no IDA legislation.) The state legislation has some common features:

- IDA programs are operated by competitively selected non-profit organizations, not by the state itself.

- IDA funds may be used for at least the Abig three@purposesChome ownership, education, and business startup.

- Income eligibility is defined with reference to the federal poverty level (FPL) or the local area median income (AMI).

- Food stamp agencies are not involved with IDA programs, either operationally or in setting policy.

- Except in Pennsylvania, IDA balances are *not* considered countable assets in terms of eligibility for cash assistance.[2]

- Each state has named a single state agency as responsible for its IDA program, but their functions vary widely.

Apart from these common features, the states vary, sometimes considerably. Major varying factors include:

- degree of oversight exercised by the state agency, which ranges from minimal (Ohio) to relatively extensive (Indiana).

[2] At the time of our interviews, Pennsylvania had not yet modified asset limit provisions for assistance programs to exclude IDA Savings. Efforts were underway to do so, and no IDA program reported clients actually losing TANF benefits.

Exhibit 3-1: State Provisions Regarding IDA Programs

	Illinois	Indiana	Iowa	North Carolina	Ohio	Pennsylvania
Date legislation passed	1998	1997, amended 1999	1996	1998	1997	1997
State appropriation	Funds provided for matching, administration, and technical assistance	1998: $720,000 1999: $1.4 million 2000 and 2001: $2.2 million	2000: $350,000 2001: $350,000	$600,000 (5 years)	$0 (state does not provide match money; merely allows counties to allocate TANF or other funds to IDA programs)	1997: $1.25 million 1998: $1.25 million
Program duration	5 years	4 years	5 years for IDA demonstration, but no time limit on accounts	5 years for demonstration		12-24 months to save; 5 years to use the money
Administering entities - state level	IL Department of Human Services	IN Department of Commerce	IA Department of Human Services	NC Department of Labor, in conjunction with NC Department of Human Services	OH Department of Human Services oversees county-level departments of human services	PA Department of Community and Economic Development
Administering entities – program level	Non-profit organizations selected competitively by the state	Non-profit organizations selected competitively by the state	Non-profit organizations selected competitively by the state	Non-profit organizations selected competitively by the state	Administration on county-by-county basis. County departments of human services may make grants to non-profits	Non-profit organizations selected competitively by the state
Eligible population	1. Income at or below 150% of federal poverty level (includes TANF recipients)	1. Income at or below 150% of federal poverty level, or 60% of median income of county of residence (includes TANF recipients) 2. Indiana resident	1. Income at or below 200% of federal poverty level (includes TANF recipients)	1. Income at or below 80% of median income, or eligible for Earned Income Tax Credit	1. Income at or below 150% of federal poverty level 2. Resident of administering county	1. Income at or below 200% of federal poverty level (includes TANF recipients)
Authorized uses	1. Home purchase 2. Small business 3. Education	1. Home purchase 2. Small business 3. Education	1. Home purchase 2. Small business 3. Education 4. Home improvement 5. One-time family medical emergency	1. Home purchase 2. Small business 3. Education * focus is on home purchase	1. Home purchase 2. Small business 3. Education	1. Home purchase 2. Small business 3. Education for self or family member 4. Any work-related activity such as training, child care, or retirement

Exhibit 3-1: State Provisions Regarding IDA Programs (continued)

	Illinois	Indiana	Iowa	North Carolina	Ohio	Pennsylvania
State match rate	2:1 up to $1,500 per participant	3:1 up to maximum of $300/year for four years	Varies from 0.15:1 to 0.25:1; accrues for up to $2,000 per person in savings	2:1 No limit on savings	2:1 maximum	0.50:1 up to max of $300/year for 2 years
IDA balances considered countable assets for cash assistance?	No	No	No	No	No	Not specified
Administrative funding available?	Yes	No for 1997-99 Yes for 1999-2001 (revised)	Yes	No	No (may use county=s TANF or other funds)	Yes
Management of matching funds	Not specified	1. Match funds kept in separate account 2. Match is made annually 3. Match funds are disbursed annually into financial institutions= pooled account 4. Check is made to vendor	1. Match funds are disbursed via a state refund (similar to a refundable tax credit)		Not applicable	1. Match funds kept in separate account. 2. Match is made at completion of program. 3. Check is made to vendor
Requirements	1. Deposits must be from earned income 2. Maximum 1,000 accounts 3. Minimum deposit $20/month	1. Deposits must be from earned income. 2. Maximum 800 accounts may be established over 3 years. Fourth year (2001) is intended for program wrap-up. 3. Programs must offer economic education 4. Programs must self-evaluate	1. Selected agencies must provide education 2. Selected agencies must raise funds for matching dollars 3. Selected agencies must participate in state=s evaluation process 4. IDAs are capped at $50,000, including match	1. Deposits must be from earned income	1. Deposits must be from earned income 2. Maximum IDA balance $10,000 3. Emergency withdrawals allowed, if approved. 4. Administering entities will solicit match funds from other public and private sources	1. Selected agencies must have minimum of 100 accounts. 2. Programs must offer economic education and technical assistance 3. Financial goal must be established at start of program 4. Minimum deposit $10/week

Source: Center for Social Development, Washington University, State IDA Policy Profiles, December 1999; and interviews conducted by Abt Associates.

- level of state appropriations for IDA programs, ranging from zero in Ohio to $6.5 million in Indiana over four years.

- the provision of state funds for IDA program administration;

- allowable uses (beyond the Abig three@ listed above); and

- specific regulations governing disbursement of match funds, savings limits, eligibility, requirements of administering organizations, and other factors.

The state-level situation in each of the states that we studied is described briefly below.

Iowa has had the longest experience with IDAs. In 1993 the legislature allowed IDAs as part of welfare reform. The legislation was amended and introduced into law in 1996, creating a five-year statewide demonstration that lasts until 2002. Unlike in other states, match funds are disbursed to account holders via an annual state savings refund similar to a refundable tax credit. The state=s IDA programs have been hampered by very low funding. State funds come from the general treasury, and there is no specified annual appropriation. State match rates are the lowest of any state in our study, between 15 to 25 cents on the dollar based on participant income level (compared to a 300 percent match rate in Indiana, for example).

The most centralized state programs are ***Indiana and Pennsylvania***, where IDA programs were established in 1997. Each state has established an active state Aheadquarters@ for IDA operations and maintains some oversight of local operations as well as providing training and technical assistance.

In Indiana, these functions are conducted by the state Department of Commerce. In Pennsylvania, the state Department of Community and Economic Development contracts with the Women=s Opportunities Resource Center (WORC) to maintain the statewide information-sharing network for IDA program practitioners, provides technical assistance to IDA programs, and operates its own IDA program.

It is important to note that even in these relatively centralized states, however, the IDA system is quite *decentralized* by the standards of public assistance programs. Beyond the functions listed above, in both states the central state agency maintains virtually no involvement in, or oversight of, the implementation of local programs.

These states provide the highest level of state funding for IDA programs of any in our study. Pennsylvania provided $1.25 million annually in 1997 and 1998, while Indiana provided $720,000 and $1.4 million in 1998 and 1999 respectively. (See Exhibit 3-1.)

Of the seven states studied, Pennsylvania allows the broadest range of uses of funds. The state provides both administrative and match funds, and also allows the broadest range of IDA uses.

The program in ***Illinois*** is similar in its structure to Pennsylvania's. Under legislation passed in 1998, the Illinois Department of Human Services has oversight responsibility. The Women's Self-Employment Project (WSEP) of Chicago, in conjunction with the Illinois Community Action Association (ICAA), is the central administering organization. Following a series of one-year pilot programs, WSEP and ICAA are now competitively selecting the nonprofit organizations that will receive state funds to operate local IDA programs over a five-year period. State funds may be used for matching or administration.

North Carolina also provides centralized oversight through a state agency (the Department of Labor) and competitively selects local service providers to operate local IDA programs. Late in 1988, the State Assembly appropriated $600,000 from state general funds to be used as match funds for 300 IDAs. Seventeen local non-profits and government entities were selected to operate the program that ends in 2002.

The scale of this principal IDA program is somewhat smaller than the Indiana and Pennsylvania programs, but North Carolina has three other publicly funded IDA initiatives as well. First, North Carolina's Department of Commerce began overseeing an IDA initiative in 1997 using $250,000 in state Small Cities Community Development Block Grant (CDBG) funds. This was actually the state's first IDA program, which focused on four counties. Second, CDBG funds are also soon to be made available for IDAs as part of the Governor's 1999 "Next Steps Initiative." Finally, the North Carolina Department of Labor was recently awarded over $300,000 in federal Assets for Independence Act (AFIA) funds.

Ohio passed IDA legislation in 1997, creating a system that is administered by county Departments of Human Services (DHS). Each county-level DHS is allowed to make grants to non-profit service providers to operate IDA programs. The state provides *no* direct funding; it merely allows county DHS agencies to use their state TANF funds or other sources to fund the administrative costs of IDA programs. By law, no state funds can go for match funds, although legislation is underway to change this. The local programs are expected to solicit matching funds and any additional administrative funds from other sources.

Vermont is the only state in which the state funds an IDA program in the absence of governing legislation. (Hence, the state is not shown in Exhibit 3-1.) The state=s 1995 welfare reform waiver (predating federal welfare reform) allows IDA accounts in a three-county area. In 1998 the state committed support (administrative and match funds) to the Central Vermont Community Action Council, to operate an IDA program in this three-

county area. This organization, as with others in our study, has also leveraged other funds for its IDA program, including those from the American Dream Demonstration.

Role of Local Sponsoring Organizations

As indicated above, the IDA programs under study are operated by local service providers who work within state-established guidelines and typically receive IDA-targeted state funds. The IDA programs tend to reflect the characteristics of their service providers. Accordingly, one of the most fundamental findings of this study is that the AIDA field@ is not monolithic or Atop-down.@ On the contrary, the most striking feature of the service providers is their diversity.

These local organizations do, however, share common elements. Nearly all of those in our study are non-profit entities that predated their state's IDA legislation and thus had well-established ways of doing things. Philosophically, they view themselves as empowering clients rather than administering programs. Their missions are to assist their low-income constituents to attain self-sufficiency or to improve their well-being. They tend, whenever possible, to expend substantial effort to help participants succeed. Although most programs appear to enforce state IDA law and regulations, some report making case-by-case exemptions to enable participants to stay in the program. As testimony to the client-centered focus of these organizations, all of our interview respondents seemed truly dismayed when referring to individuals who had dropped out of the IDA program or had to be terminated.

Beyond these few commonalities, however, IDA programs are as varied as the service providers themselves, and often reflect the organizations= strengths, weaknesses, and idiosyncracies. Some IDA programs are run "on a shoestring," with few staff and administrative resources; other organizations are able to dedicate full-time staff to IDA operations. Some organizations have traditionally worked in relative isolation; they have tended to seek IDA participants among their existing clientele or from the general public. Others have well-developed relationships with other organizations and leverage these effectively to recruit a broader array of funding and participants. Some programs are tightly structured and have well-developed guidelines; others operate with loosely defined guidelines or rules developed on an ad hoc basis.

Most, although not all, of the local programs under study have a particular programmatic specialization. This focus may be on a particular program service or a specific population, as listed below:

- Housing — Ft. Wayne (IN)
  Muncie (IN)
  Asheville (NC)
  Raleigh (NC)
  Winston-Salem (NC)

•	Financial education	Cincinnati (OH)
•	Self-sufficiency	Leon (IA) Erie (PA) Barre (VT)
•	Handicapped	Gary (IN)
•	Women	Chicago (IL) Philadelphia (PA)

To varying degrees among these local organizations, their IDA program is linked with the organizational mission. The centrality of the IDA program to the organization=s mission has an effect on the level of organizational resources allocated to the program, or to the level of effort expended to obtain outside resources. For example, one organization whose IDA program squarely supports its mission leveraged funding from a variety of sources. A mix of public and private funds sustained a full-time IDA program director and another person’s IDA advocacy work at the state level. Another organization, in contrast, said that IDAs were a good, but ancillary addition to its program services. This organization did not seek outside support to supplement the state=s funds for matching. Instead, IDA operations are shared by two part-time individuals who have many other job responsibilities. Consequently, the level of administrative attention given to this IDA program is comparatively small.

Organizations also differ philosophically in their approaches to self-sufficiency, which has implications for their IDA programs. Some organizations feel that IDAs should be available to anyone who is interested and eligible; others deliberately screen for the most motivated participants who are most likely to succeed. Views also differ on the appropriate role of counseling and intervention. Some organizations offer intensive counseling to help participants stay in the IDA program when their personal circumstances worsen. Others believe that participants should be able to do what they like with their money. Such organizations withhold match funds in cases of emergency withdrawals, but do not offer extensive counseling to minimize unmatched withdrawals.

Most service providers operate their programs in relative isolation from each other, and contact with other IDA programs varies across organizations. In Indiana and North Carolina, service providers might interact at workshops offered to all grantees. For example, in August 1999 the Indiana Department of Commerce sponsored a workshop for grantees on operational topics (e.g., what is and is not allowed under state provisions).

Pennsylvania has contracted with a large organization, the Women’s Opportunities Resource Center to maintain a statewide IDA network. The peer learning network involves meetings sponsored by WORC where all state-supported IDA service providers meet. It has also

helped them coordinate state and federal lobbying. Such coordinated activity has created a notable “team spirit” among Pennsylvania programs. Each organization sees itself as part of a larger national movement, not an isolated local effort.

The Chicago (IL) and Barre (VT) programs also participate in the American Dream Demonstration and can access information available to all project sites through the Center for Social Development at Washington University.

B. Implementation

Target Population

Most local organizations in the study have only a broad sense of the Atarget population@ for their IDA programsCi.e., who these programs were designed to serve. Respondents perceived their role as offering assistance to anyone who needed it and was eligible to receive it. Our queries about target populations were invariably answered with a description of eligibility criteria. There was no sense of more specific target characteristics, such as (within the eligible population) single parenthood, age, or marital status. There was not a sense of the *size* of the target population.

However, although there was no explicit target population, in many cases we found that there were *implicit* target populations. That is, organizations tended to focus their IDA programs on their pre-existing clientele. Who comprises this constituency and how it can be reached depends very much on the nature of the specific organization. For example, in the Gary (IN) program, those most likely to receive IDA services are the disabled; in the Philadelphia (PA) program, it is women; in the Raleigh (NC) program, it is first-time homebuyers. The appeal of serving one’s existing clientele is not surprising; organizations would not have initiated an IDA program unless they felt that they had a natural market for these services.

Client Recruitment

Client recruitment strategies tend to be of two types:

- those that target an *existing clientele* via word of mouth, internal referrals, or referrals from partner organizations; and
- those aimed at the *general public* via radio and print ads.

What is unexpected and notable, however, is the apparent absence of significantly new relationships or strategies being *catalyzed* by an IDA program. Perhaps the track record is too short. The finding is consistent with the general observation that, to date, IDA programs tend to reflect the pre-existing organizational environment, rather than to spawn new approaches.

In general, respondents felt that word of mouth and informal referrals are the most effective sources of new applicants. Sometimes these applicants emerge through IDA account holders telling their friends; at other times, through referrals from other groups.

Organizations vary widely in the sophistication and apparent effectiveness of their recruitment strategies. This seems to depend, to a large extent, on pre-existing capacities. Organizations well connected with other groups tend to tap these relationships effectively for referrals to their IDA programs. A few organizations market their IDA programs through local churches, which they feel have innate credibility with the local population. Others offer such an array of program services that marketing to their large, broad-based internal clientele yields results. Specific examples of recruitment strategies include:

- ***Gary (IN)***: Tradewinds sends mailings to current participants encouraging them to tell their friends about the program. The group has also been pleased by the level of inquiries stemming from radio and newspaper ads.

- ***Asheville (NC)***: The Affordable Housing Coalition promotes its IDA program through its home-buying classes, which are also offered to the general public.

- ***Lancaster (PA)***: Tabor Community Services works with about four community organizations to recruit participants in an unusually close and structured way. The partner organizations identify eligible individuals, help them complete the initial application, and conduct individual follow-up throughout the program. In turn, Tabor Community Services is responsible for overall program management, eligibility screening, orientation sessions and financial workshops, publicity, and training on IDA-related issues for relevant staff with their partner organizations.

- ***Philadelphia (PA)***: WORC recruits IDA participants almost entirely from the client base receiving other services. It has extensive relationships with other partners—organizations working toward similar goals of economic self-sufficiency—and works with them to build IDA programs based on WORC's own model.

- ***Barre (VT)***: CVCAC's close ties with the Vermont Department of Social Welfare (DSW) result in referrals from DSW caseworkers to the IDA program. CVCAC also has access to the DSW database to verify income eligibility.

As seen by the examples above, some organizations leverage existing relationships with vigor. Others recruit members in relative isolation, relying on internal referrals and on general publicity. The latter methods include radio announcement, print ads, and articles in the local newspapers. Although these methods are described as yielding some results, most respondents said that referrals, either from other organizations or from participants themselves, were the most effective techniques.

How difficult is client recruitment? Many respondents cautioned that it takes a surprisingly long time to build up IDA program awareness and trust. Representatives from two organizations noted that only after almost two years of publicity do they feel that they have reached "awareness saturation" in their local area.

One explanatory factor is that programs spend substantial amounts of time and effort processing applications, establishing accounts, and helping individuals enter the program. Respondents from most programs indicated there is not enough time and staff to conduct these activities as quickly and as carefully as desired.

A second factor related to recruitment appears to be the skepticism of potential participants about the favorable terms of the program. A number of respondents mentioned that bad experiences with scams have left many low-income people skeptical about offers of "free money" and that overcoming this requires patience, time, and effort. Some organizations deal with this by generating extensive publicity for successful completion of program milestones such as graduation from the financial workshops. Others encourage existing participants to tell their friends about the program, even sending written notices to that effect in the monthly IDA balance statement.

In conclusion, successful recruitment seems to depend on two factors. The first is the service provider's savvy at generating referrals, either internally or from other groups. The second is a lengthy period of time—measured in years, not months—to broaden awareness and overcome skepticism about the program's benefits.

Recruitment of Financial Institutions

In every IDA program studied, IDA accounts are held at a financial institution affiliated with the IDA program. The role of the financial institutions is to maintain the account (for example, opening and closing accounts, crediting deposits, releasing funds to be withdrawn, and providing account statements). Enforcing the specific provisions of the IDA program – for example, monitoring that minimum deposits are made – is the responsibility of the service provider. One common mechanism is for the financial institution to send a duplicate monthly statement to the administering organization as well as the accountholder; the organization then checks that account activity is consistent with program regulations.

Responsibilities are thus distinct, and the relationships between service providers and financial institutions are straightforward. There are, however, a few examples of organizational relationships that are closer:

- ***Leon (IA)***: SCI-CAP=s IDA program is co-sponsored by its own credit union, and the IDA program manager is integrally involved in both the IDA program and the credit union.

- ***Cincinnati (OH)***: The credit union added an IDA account to its roster of accounts available, and the IDA program obtains high visibility in part from the fact that the IDA program manager's office is located there.

Recruitment of financial institutions appears to have been straightforward at the programs under study.[3] This is due in part to the fact that the mechanics of administering IDA accounts are not very different from routine bank functions. IDA account management does not typically require dramatically new procedures for financial monitoring and reporting.

Involvement in IDA programs appeals to banks because it allows them to receive Acredits@ under the requirements under the Community Reinvestment Act (CRA), which provides impetus for banks to offer financial products that serve disadvantaged neighborhoods where they operate. A bank's record in meeting its CRA obligations is reviewed when it seeks to close or open an office, or to merge with another bank. Finally, some banks see their participation in IDA programs as a way to obtain retail business from a population that they would not otherwise reach.

The ease of recruiting banks is facilitated by an organization=s pre-existing relationships with banks. Where these existed, the IDA program was a much easier Asell.@ Local organizations, engaged in helping clients purchase homes, typically have good pre-existing relationships with banks, because they work closely with them to obtain home mortgages for their clients. Other organizations had to create these relationships from scratch and point out the advantages of bank participation.

At least six of the programs under study had previous relationships with their IDA banks. These include the programs in Ft. Wayne (IN), Asheville (NC), Raleigh (NC), Winston-Salem (NC), Cincinnati (OH), and Erie (PA). Indiana is noteworthy because its initial IDA legislation specified that only state-chartered banks could administer IDA accounts. This created problems, as there were relatively few chartered banks, and some grantee organizations did not have one in their area. The state helped such grantees identify eligible banks and also made arrangements with an Indianapolis charter bank to provide long-distance banking for some grantees.[4]

In seven of the local programs studied, a single bank is used. The remainder use two or three banks, except for the Philadelphia (PA) program where WORC uses approximately fourteen separate banks. Those who use more than one bank generally feel that it is a good thing. It can create Afriendly competition@ that can translate to better terms for their members; offer

---

[3] We refer here to the financial institutions generically as Abanks,@ even though these institutions may include credit unions or other entities.

[4] A 1999 legislative amendment dropped the requirement that participating banks be chartered.

options for clients with prior credit problems at a particular bank; and give clients better access to bank locations. In addition, a number of programs receive funding from participating banks, so the more such banks they enlist to participate, the more funding they have available. Finally, one respondent deliberately chose to have multiple banks because she felt that selecting among them would be a good exercise in financial literacy for IDA participants.

There is no consistent pattern in the terms associated with IDA accounts. Many banks offer IDA account holders terms that are similar to those offered to regular savings account holders regarding interest rates, fees, and balance requirements. In a few cases, IDA programs have negotiated somewhat better terms for their IDA accountholders. For example:

- ***Erie (PA)***: The bank used by Greater Erie Community Action Committee waives fees and minimum balance requirements.

- ***Lancaster (PA)***: The bank used by Tabor Community Services created a new kind of account with different minimum requirements for IDA clients.

Regarding the accessibility of bank locations, respondents noted no particular problems. They felt that their clients were experiencing no significant difficulty getting to a bank location to conduct their banking business.

C. Major Policy Provisions

Beyond a few basic commonalities (such as types of authorized uses, the provision of matching funds, and the targeting of these programs to the poor), the substantive provisions of the IDA programs under study vary significantly. Perhaps the most general distinction between programs is the degree to which they are structured. Some programs have detailed guidelines, anticipating and covering many possible circumstances. For example, they specify regular and/or minimum deposits, and they impose specific sanctions for various infractions. Other programs appear to develop policy *ad hoc*, as situations arise. The latter is perhaps not surprising, in view of the young age of most of these programs and their minimal experience with various aspects of account management (withdrawals, account closings etc.). Major features of each of the programs under study are summarized in Exhibit 3-2 and are discussed in more detail in the sections below.

Eligibility Conditions

The three most common eligibility factors are residency, household income relative to the federal poverty level, and the source of clients' IDA deposits.

Exhibit 3-2: Basic Features of IDA Programs

Program location	Operational Start date	Match rate	Number of financial institutions[1]	State-funded program slots	Income eligibility specified as a percentage of:	
					FPL	AMI
Chicago (IL)	December 1995	2:1	1	300	x	
Evansville (IN)	April 1998	3:1	2	149	x	
Fort Wayne (IN)	May 1998	3:1	1	120	x	
Gary (IN)	April 1998	3:1	3	140	x	
Goshen (IN)	February 1998	3:1	2	50	x	
Muncie (IN)	February 1998	3:1	1	73	x	
Leon (IA)	January 1996	0.3:1-0.5:1	1	na	x	
Asheville (NC)	early 1998	2:1	3	55		x
Raleigh (NC)	March 1999	4:1	1	18		x
Winston-Salem (NC)	late 1998	2:1	1	na		x
Cincinnati (OH)	September 1998	2:1	1	na	x	
Erie (PA)	May 1998	0.5:1	2	250	x	
Lancaster (PA)	June 1998	0.5:1	1	200	x	
Philadelphia (PA)	January 1997	0.5:1[2]	14	649	x	
Pittsburgh (PA)	July 1998	0.5:1	1	100	x	
Barre (VT)	January 1998	1:1-2:1	3	na	x	

na = not available

TANF = Temporary Assistance for Needy Families
FPL = federal poverty level
PA = public assistance
AMI = area median income

[1] Refers to number of different institutions, not locations (branch offices).

[2] The Philadelphia (PA) program has leveraged other funds which increase the effective match rate to approximately 3:1 for the savings goals of home purchase and micro enterprise.

Exhibit 3-2: Basic Features of IDA Programs (continued)

	Authorized account uses								
Program location	**Home purchase**	**Retirement**	**Child care**	**Credit repair**	**Emergency withdrawal**	**Business startup**	**Education**	**Home repair**	**Car purchase or repair**
Chicago (IL)	x					x	x		
Evansville (IN)	x					x	x		
Fort Wayne (IN)	x					x	x		
Gary (IN)	x					x	x		
Goshen (IN)	x					x	x		
Muncie (IN)	x					x	x		
Leon (IA)	x	x			x	x	x	x	
Asheville (NC)	x					x	x		
Raleigh (NC)	x								
Winston-Salem (NC)	x				x	x	x		
Cincinnati (OH)	x					x	x		
Erie (PA)	x	x				x	x	x	x
Lancaster (PA)	x	x	x	x		x	x	x	x
Philadelphia (PA)	x	x	x	x		x	x	x	
Pittsburgh (PA)	x	x				x	x		
Barre (VT)	x					x	x	x	

Exhibit 3-2: Basic Features of IDA Programs (continued)

Program location	Participation requirements				
	Minimum deposit	Regular deposit	Financial education	Peer support meetings	Qualifying period for match
Chicago (IL)		x	x		
Evansville (IN)			x		
Fort Wayne (IN)			x		
Gary (IN)			x		
Goshen (IN)		x	x	x	
Muncie (IN)			x		
Leon (IA)			x		
Asheville (NC)	x	x	x		
Raleigh (NC)			x		x
Winston-Salem (NC)	x	x	x	x	
Cincinnati (OH)	x	x	x		
Erie (PA)	x	x	x		x
Lancaster (PA)	x	x	x		x
Philadelphia (PA)		x	x		x
Pittsburgh (PA)	x	x	x		x
Barre (VT)	x	x	x	x	x

Some type of residency is commonly required. The specific requirement may pertain to the state level, the county level, or a smaller area. For example, some programs limit participation to those living within a particular set of zip codes consistent with a credit union=s catchment area or within a particular neighborhood.

The most common measure of income eligibility is the applicant's income relative to the federal poverty level. Most programs specify that income must be under 150 or 200 percent of the federal poverty level. A few respondents claimed that this is unrealistically low and should be raised to make IDAs more accessible to those with enough income to consider saving. Nearly as common is an income threshold specified as a percentage (e.g., 80 percent) of the local area median income. Sometimes (as in Indiana), either of these conditions can be met to establish eligibility.

TANF receipt automatically renders recipients eligible for IDA programs in six IDA programs (all of the Indiana sites, as well as the Vermont program, where state funding covers TANF recipients as part of a welfare reform demonstration). Sometimes public funding for IDA programs comes with the condition that it be spent for recipients of assistance programs. For example:

- ***Cincinnati (OH)***: To obtain county funding, eligibility is restricted to employed recipients of TANF, Medicaid, and/or food stamps. The service provider has since obtained funding from other sources in order to make the program available to a broader set of low-income persons.

- ***Barre (VT)***: Because state matching funds are available for TANF recipients, CVCAC provides a higher match rate for TANF recipients than for non-recipients. Realizing that this creates a perverse incentive in favor of welfare receipt, the organization is seeking other funding sources that would allow it to equalize the match rate for everyone.

Three statesCIndiana, North Carolina, and Ohio (accounting for 9 of our 16 sites)Cand one local program specify that IDA deposits must be from *earned* income, implying that participants must be employed.

In all cases, applicants have to meet eligibility criteria only once, upon admission into the program. Insofar as the very purpose of IDA programs is to help individuals improve their economic situation, it would create a disincentive if programs were to disqualify individuals whose income rose to the point of ineligibility over the course of the program.

Exclusion of IDA Balances from Countable Assets

In every program in our study, IDA balances are *not* considered countable assets for purposes of determining TANF eligibility. In one state, Pennsylvania, advocates are attempting to modify TANF eligibility requirements to this effect. Even in the absence of a formal

provision, however, no respondent reported that their clients' TANF eligibility could be jeopardized by IDA program participation.

The implications of IDA participation for food stamp eligibility are more ambiguous, as Food Stamp Program participation is relatively Ainvisible@ to service providers. That is, most IDA programs do not capture data on food stamp receipt. Furthermore, some organizations did not know whether IDA balances count as an asset for food stamp eligibility; others reported mistakenly on this.

The confusion is understandable, as federal policy on IDA excludability indeed differs between TANF and food stamps. If an IDA program is funded with federal TANF dollars, IDA balances (both account holder deposits and matching funds) are not counted as assets in determining eligibility for TANF, food stamps, or any other federal means-tested program.

Under any other IDA funding arrangement, however, the IDA account holder deposits *do* count in determining eligibility for food stamps. The food stamp limit on countable assets is $2,000 per householdC$3,000, if the household includes a member of age 60 or older. The IDA matching funds are not counted in these situations.

Authorized Account Uses

All but one of the study programs permit funds to be used for home purchase, education or training, and business startup. The exception is the Raleigh (NC) program, where Passage Home (a housing assistance organization) allows only home purchase. Although the other North Carolina programs under study also focus on home ownership, they allow other uses as well.

Beyond the three account uses just described, there is considerable variation among sites with respect to the number and type of additional uses. The next most frequently approved account purposes are retirement and home improvement, which are options in five and six of the local programs, respectively. Pennsylvania IDA accounts can be used for the largest number of different purposes.

A few programs allow account funds to be used for less conventional purposes. These include child care (during education), car purchase or repair, and debt or credit repair.

Debt and credit repair bears special mention insofar as it is central to participants= access to loans. Local organizations handled this issue in a number of ways:

- Two programs, both in Pennsylvania, consider debt and credit repair as an authorized use. (Pennsylvania state law allows local service providers some flexibility in defining “work-related activities” as authorized uses.)

- In the Raleigh (NC) program, Passage Home begins the application process by having prospective clients meet with a counselor at Consumer Credit Counseling Services (CCCS) to assess their credit situation and develop a plan. CCCS will even advocate on participants= behalf with creditors.

- Other organizations make credit repair a topic in their financial education workshops, even if they do not offer individualized credit counseling.

A broad range of allowable account uses may prove in the long run to be an important determinant of IDA program success. Respondents from the more restrictive programs mentioned that account prohibitions, most notably home improvement or expenses related to vehicles needed for employment, discouraged enrollment among some individuals who had shown initial interest in the program.

Matching Provisions

One of the most fundamental features of IDA programs is the match rate. It is important to note that in some cases, a program's match rate may be greater than that offered by the state. Some local organizations have obtained additional funds enabling them to increase their match rate or to extend matches to populations who do not qualify for state money. Exhibit 3-2 presents each program=s total match rate, which includes matching from *all* sources.

State-funded match rates vary significantly, from 15 to 25 percent of client account deposits in Iowa to 300 percent in Indiana. *Effective* match rates range from 30 to 50 percent in Leon (IA) to 400 percent in Raleigh (NC). In two programs, the match rates vary for different types of participants:

- ***Leon (IA)***: SCI-CAP=s match rate varies by income level, with lower match rates accruing to higher income levels.

- ***Barre (VT)***: CVCAC=s match rates vary by TANF receipt, with welfare recipients receiving a higher match rate. This occurs because state match funds cover TANF recipients only. The organization hopes to leverage other funds to equalize the match rate for everyone.

In all cases, there are limitations on maximum match amounts. These are typically expressed as a limit on the amount of matching dollars per account or a limit on the amount of an individual=s deposits that will be matched. In the Barre (VT) program, CVCAC requires a *minimum* amount to be deposited ($100) to obtain the match.

When is the match made? Again, this feature is determined largely at the state level. In some programs, it is disbursed to the individual upon application for withdrawal, in others annually, and in yet others upon attainment of a specified benchmark such as some minimum period of participation.

- In Indiana, the state match is made annually in June, based on the balance in the participant's account at that time. This allows participants to make unauthorized withdrawals and make these up later (before June), still receiving the match.

- Similarly, in North Carolina the match is made upon attainment of the individual=s savings goal. The state disburses funds on a case-by-case basis for each individual, rather than all at once.

- In Pennsylvania, the match is made as a one-time payment after 12 to 24 months of saving.

The timing of match disbursements can create different incentives and disincentives for saving. For example, some respondents noted that an annual schedule creates problems if a participant needs to use account funds for an allowable purpose, such as a tuition payment or a down payment on a home, before the match occurs.

Other Client Requirements and Services

Participation in IDA programs may involve additional requirements for clients. Some of these requirements originate at the state level. Others are specific to the local program. Details are provided in Exhibit 3-2.

Every program requires some form of financial education. The intensity varies dramatically, ranging from a one-time counseling session to an eight-month training course. Several examples of the financial education requirements are provided below to illustrate the variation in approach.

- ***Ft. Wayne (IN)***: The Ft. Wayne Neighborhood Housing Partnership requires attendance at one economic literacy class.

- ***Muncie (IN)***: The Muncie Homeownership and Development Center requires that participants complete a counseling session on money management upon admission to the program and then attend one money management workshop annually.

- ***Raleigh (NC)***: Passage Home requires completion of individual financial counseling at intake, an 8-session economic education program, and a subsequent round of financial counseling.

- ***Cincinnati (OH)***: SmartMoney requires that participants attend a workshop monthly and three to six financial counseling sessions annually. In the second year of the program, participants attend workshops related to their specific savings goal. Some of these are offered in conjunction with the local university.

- ***Lancaster (PA)***: Tabor Community Services requires completion of a six-workshop series entitled AMoney Sense University@ that involves four required courses and two electives. All courses must be completed within a year. Participants can take as many further courses as they wish.

- ***Barre (VT)***: CVCAC requires completion of a four-month, eight-workshop series on financial education (16 hours total). These sessions are supplemented by asset-specific workshops.

A number of respondents emphasized the importance of a strong, sustained financial education component. At the same time, some programs indicated that they were struggling with this component. The strength of the educational segment usually reflects an organization=s overall expertise and resources. Other respondents, although not explicitly admitting to problems with their financial education component, mentioned how difficult it was to engage participants and get them to attend. (There was no apparent correlation between the intensity of the education component and the difficulty in getting participants to attend.)

Another common policy involves the requirement for regular deposits or minimum deposits. See Exhibit 3-2. There is general agreement that regular savings are crucial for success, but all respondents acknowledged that clients can find this difficult. Some participants have seasonal jobs; others can only make large one-time deposits at tax refund time. On the whole, these programs accommodate participants= special circumstances, as long as participants appear to be making an earnest effort to save.

Program Duration and Program Completion

IDA programs all attempt to have members participate until they reach their savings goal. Programs differ, however, in how they seek to retain their participants. Some programs require a commitment to participate for a *minimum* length of time (where participation might be open-ended); others require completion within a certain length of time.

Are participants required to *complete* their savings within any specified time period to take full advantage of the program? There are several dimensions to this question. One aspect concerns the legislative end-date for state funding. For existing IDA programs to continue beyond legislative end-dates, the legislation would have to be renewed by the state (and funds appropriated), or organizations would have to find alternative sources of funding.

A different aspect of the question is whether programs themselves impose certain Aendpoints@ to participation. Some certainly do. There are three basic models. Some programs are open-ended, with no time limit or goal that defines program completion. In a second category of programs, participation involves meeting a time and/or goal requirement. Savers must reach

some benchmarkCa length of time or a pre-specified savings goalCto obtain the match funds. Individuals enter and exit the program at different times; there is no single start date. The third and most structured variant is the single-cohort model. In this approach, program participation is of limited duration, with an entire cohort entering at the same time and going through the program components together.

Client Steps to Manage Account

All programs maintain matched funds separately from individual=s deposit funds. Sometimes the match funds are pooled in an account maintained by the service provider. Alternatively, they are maintained in the participant=s name, but are kept separate from the account containing client deposits. In some cases match funds are kept by the state agency until participants save enough to qualify for the match.

In most programs, account management is fairly straightforward. Typically the account holder simply makes deposits as with any bank account. If a client makes an unauthorized withdrawal, he or she can typically simply withdraw the funds from his or her account just as a regular bank account. (Almost all of the programs studied have non-custodial accounts, so there would be no legal barriers to the client withdrawing deposit funds.) To make an authorized withdrawal (and obtain match funds), however, the participant must typically apply for a withdrawal, explain the intended use, and obtain approval from the IDA program. The IDA program normally issues a withdrawal authorization form that is sent to the bank via the account holder or directly. Rather than disbursing funds to the client, the bank cuts a check to the goal-related vendor – e.g., a school or mortgage lending institution. Following are some variations on this basic process:

- ***Evansville (IN)***: The IDA Program Manager at CAPE is the intermediary for all bank transactions. The program feels that this allows better oversight of deposits and withdrawals.

- ***Leon (IA)***: Upon approval of the withdrawal, SCI-CAP issues a two-party check to the account holder and the vendor. The account holder endorses it and submits it to the vendor.

- ***Barre (VT)***: The match funds reside in CVCAC=s account at the bank. Upon receiving the authorized withdrawal form, the bank transfers the account holder=s deposit funds into CVCAC=s account, where the match funds reside, and it is CVCAC that cuts the check to the vendor. The accounts are custodial, so deposits cannot be withdrawn unless CVCAC countersigns the withdrawal slip.

In most programs, participants track account balances through the usual bank statement, which shows their deposits. A few programs including Cincinnati (OH) and Erie (PA)C have the resources to send monthly AIDA balance statements@ to participants, showing the amount of match funds that have accrued.

Account monitoring

All programs make some effort to monitor IDA accounts consistently. Often the bank sends the IDA program a duplicate copy of the participant=s monthly bank statement. The Winston-Salem program has on-line access to the account records of IDA participants. In principle, most programs require that the IDA coordinator review account activity and follow up on apparent irregularities (e.g., failed to make a regular deposit or made an unauthorized withdrawal). In reality, the ability of an organization to do this depends on their staff resources.

The ability to monitor accounts depends on program's administrative resources, and sometimes this task goes undone. One program discovered, during its annual review of files for reporting to the state, that a handful of participants had made unauthorized withdrawals the previous year (but no match funds were disbursed). This program frankly acknowledged that, because of staff shortages, bank statements are sometimes filed without being closely reviewed, and unauthorized withdrawals may not be noticed until long after the fact.

Enforcement of Program Requirements

All programs specify certain penalties for breaking program rules. Infractions that incur a penalty are:

- unauthorized withdrawals of participant's own deposits, and
- failure to make the minimum deposit and/or regular deposits as required.

Unauthorized use of matching funds is virtually impossible because these funds typically are transferred directly to vendors. However, it is not unusual for participants to make unauthorized withdrawals--often temporary--of their own funds. One local program reported more unauthorized withdrawals than authorized ones.

Participants can legally withdraw their own deposits unless an IDA program sets up custodial accounts. In this situation, a participant cannot make such withdrawals without having the IDA program liaison countersign. Two of the sixteen local programs in this study, Goshen (IN) and Barre (VT) have such accounts.

All programs discourage participants from taking such action. This is done through the use of two penalties: forfeiture of matching funds and in some cases program termination. Some program rules also state that participation may be terminated if the account holder fails to make regular or minimum deposits.

In practice, the IDA programs in this study do not terminate such participants automatically. An effort is made to investigate the cause of the problem and to help clients succeed. Programs have a great deal of discretion in accommodating special circumstances. Several examples of accommodation through formal rules were observed, including allowances for emergency unauthorized withdrawals. Other programs allow emergency withdrawals on a *de facto* basis and try to work with clients whose financial crises imperil their participation in the IDA program.

The extent to which this help is actually provided depends on the availability of administrative resources and an organization's philosophy about the appropriateness of such counseling. Some programs provide individual counseling to help resolve the emergency. The IDA program in Barre (VT) will help participants identify other funding sources for emergencies or take a leave of absence from the savings program.

D. Funding Arrangements

In an analysis of funding, it is important to distinguish between funding for administrative operations and funding for match money. Funding can further be analyzed along two major dimensions: level and source. These are discussed below.

Level of Funding

The level of annual IDA program funding would seem to be a straightforward concept. In actuality, it is not. In our study it proved very difficult to obtain accurate, complete cost information. There was a particular problem when it came to estimating administrative funding. Much of the information obtained through interviews is not comparable across programs. Consequently, a meaningful analysis of funding levels requires a data collection effort that exceeds the scope of this study.

There are multiple challenges to obtaining accurate information administrative funding levels. Not all states provide funds for administrative expenses. Some program organizations cover their IDA administrative costs by subsidizing with resources from their non-IDA services. When an organization=s IDA and non-IDA programs overlap in their staffing and clientele, it becomes virtually impossible to identify the IDA-associated portion of the cost or the funding source. This occurs when the position of IDA program manager is held by someone who also has other, non-IDA job responsibilities. It also occurs when IDA participants are folded into an organization=s pre-existing workshops that also serve a non-IDA population. Other programs receive grants from different sources, and each grant is for a different length of time. Annualized figures are thus difficult to compute.

One thing is clear, however. The availability of funds for IDA program administration has a major impact on the extent of program services that can be offered to participants and the level of staff monitoring of participant status and account activity.

Indiana=s experience in this regard is illustrative. The state originally provided no administration money to grantees. Some grantees were able to obtain administrative funding elsewhere; others had to internally subsidize IDA program operation while trying to minimize the effects on their non-IDA programs. Important IDA functions suffered, including recruitment, client education, account monitoring, and individualized attention. This situation was ameliorated by legislative amendment in 1999. Indiana IDA grantees are now allowed to use for program administration a portion (20 percent) of the first $100,000 of annual funds provided by private donors. Further, the state will allot $100,000 per year for administrative funding to grantees, prorated by the number of accounts per grantee.

With respect to *match* funds, the situation is more clear-cut. Recall that not all states provide match funds. Ohio, for instance, does not. Two states, Indiana and Pennsylvania, allot match money to organizations for a certain number of slots. Exhibit 3-2 lists the number of each organization=s IDA slotsCthat is, the number of accounts for which the state has provided match funding. This ranges from zero for SmartMoney in Cincinnati (OH) to 649 for WORC in Philadelphia (PA).

Source of Funding

Almost all the programs studied were able to obtain funds from other sources to supplement state funding. Sometimes, as illustrated below, this enabled them to serve other populations than the state funds allowed. In other instances, it enabled organizations to increase their match rate substantially.

Some examples of the ways in which organizations have leveraged other funding sources are described below:

- ***Goshen (IN)***: La Casa obtained funding from a foundation and banks for an IDA program separate from that funded by the state.

- ***Leon (IA)***: SCI-CAP obtains funds from its own credit union to match the state=s contribution, effectively doubling the match rate.

- ***Asheville, Raleigh, and Winston-Salem (NC)***: North Carolina study sites obtained external funding from sources including federal HUD funds (CDBG funds and HOME funds), boards of realtors, and banks. Passage Home, through a long-standing relationship with a local bank, was able to obtain match money sufficient to effectively double its match rateCto 4:1, the highest in our study.

- ***Philadelphia, (PA)***: WORC has obtained fund from other local corporate sources. Additionally, WORC was recently awarded a federal grant from the Department of Health and Human Services= Office of Refugee Services. This will provide some additional funds for IDA accounts established by refugees at WORC, and also at the IDA programs in Erie, Lancaster, and Pittsburgh.

- ***Barre (VT)***: CVCAC receives funding from the American Dream Demonstration, United Way, Community Service Block Grants, banks, and foundations.

The ability of an organization to leverage outside funding appears to depend integrally on its pre-existing capacity. Some organizations had the relationships, the leadership and, simply put, the savvy to obtain outside funds. A few programs in this study have not pursued outside funding, either because of undeveloped capacity or for internal reasons.

E. Summary of Organizational Features

This section describes the main management and organizational features of IDA programs. As discussed elsewhere, the most notable finding with respect to organizational structure is that IDA programs are separate from the public assistance delivery system. They are not systematically integrated with the organizational framework of the public assistance system, although they do sometimes intersect. For example, some IDA programs have access to the income eligibility records of their clients who receive public assistance.

Further, local welfare agencies do not play a substantial role in any of the IDA programs under study. The IDA programs at the state level are overseen by a variety of agencies (as shown in Exhibit 3-1), but none of them involve the state food stamp agency. In short, food stamp agencies, and the Food Stamp Program itself, are effectively separate from IDA programs.

The roles of financial institutions are limited primarily to account management. This can involve maintaining the accounts for match funds, completing funds transfers, and in some cases providing copies of individuals= regular bank statements to the service provider. These functions are not substantially different from banks= others routine functions. Some banks contribute funding for the IDA program and are thus more Ainvested@ as partners.

With respect to internal operations, typically IDA program management is centralized. The typical configuration is that all IDA functions are conducted by one person or two part-time staff, rather than having different functions spread out over more individuals. One person is normally responsible for conducting eligibility screening, account maintenance, withdrawal approval, and providing any individualized counseling. Only two programs can be considered decentralized:

- ***Erie (PA)***: Erie Community Action Committee utilizes 14 case managers, all of whom also work with other programs in the organization for recruitment, eligibility verification, client training, account monitoring, and enforcement.

- ***Lancaster (PA)***: Tabor Community Services shares with its partner community organizations the responsibility for identifying eligible individuals, assisting potential clients with the IDA application process, and conducting longer term client follow-up.

The level of effort dedicated to IDA program management differs. The scale of IDA programs is typically so small that most programs had, at most, a full-time program manager. Some have a substantially lower level of available staffing. At the Leon (IA) program, for example, the staff resources available to SCI-CAP for IDA program operations amounts to only five hours per week. At the other end of the extreme, Philadelphia's WORC—by far the largest operation in our study—has a full-time manager and two part-time counselors.

The information systems used by local programs are quite diverse, depending on the organization=s overall management sophistication. Many organizations maintain paper files for each account holder, containing regular bank statements and other documentation. A few organizations are now moving from a manual method of aggregating account information to an electronic spreadsheet-based system. Others rely on simple spreadsheet databases and individual files. Most of the program organizations under study use the Management Information System for Individual Development Accounts (MIS IDA), developed by the Center for Social Development for the American Dream Demonstration but now adopted by many other programs. Among the study sites here, we are aware that the following use MIS IDA: Evansville (IN); Asheville and Winston-Salem (NC); Cincinnati (OH); Erie, Lancaster, and Philadelphia (PA); and Barre (VT).

Chapter 4: Patterns of Participation

This chapter examines the patterns of participation in IDA programs by describing: (1) levels of participation, including the number of open accounts, the number of participants who have completed or dropped out of each program, and estimates of unmet need among the target populations; (2) profiles of program participants, focusing on their demographic characteristics; and (3) account activity, including data on aggregate and average deposits, accrued match amounts, and withdrawals.

A. Scope and Quality of Available Program Data

Participation data provided by the sixteen IDA programs in this study vary significantly in clarity and completeness. Some programs provided little more than the current number of open accounts and general observations about participants such as "we serve predominantly urban, working poor" or "most participants are African-American single mothers." Additionally most programs did not provide the frequency and amount of account deposits and withdrawals. In contrast some programs carefully tallied the number of currently open accounts, the number of participants who had completed the program, and the number of participants who had dropped out of the program. Several programs were able to provide detailed demographic characteristics of current participants, including their age, gender, family status, race/ethnicity, employment, education and geographic location. This variation in reporting reflects in part the differences among sites in their staffing levels and their information systems.

Note also that we collected information at the program level, not at the account level. We can report on patterns by program in terms of *aggregate* and *average* deposits, withdrawals, and match amounts. For those interested in *account-level* measures of program usage (e.g., average monthly deposit amounts, the variability of monthly deposit amounts, the monthly deposit amount as a percentage of the maximum monthly matched deposit, etc.), such details are provided for the thirteen American Dream Demonstration (ADD) sites in periodic reports compiled by the Center for Social Development (CSD) of Washington University in St. Louis.

Finally, bear in mind that participation data from the 16 study sites provide a snapshot of current program usage. The profile of any given program is likely to change over time as ongoing participants advance through the program, as new cohorts enter, and as program features evolve. Those who opened accounts at the beginning of a program do not necessarily have the same characteristics as subsequent participants. A program's participation profile may be altered by changes in such factors as available funding, the visibility of the program in the community, and the partnerships formed with other social service programs. Since these factors are likely to change with maturity, an early snapshot of enrollment levels and savings activity may not accurately reflect the participation patterns of older, more established programs.

B. Levels of Participation

Exhibit 4-1 shows participation data for each of the study programs, including the current number of participants, the number of funded or expected accounts, the number of participants who had completed the program, the number of participants (if any) that had opened accounts but subsequently dropped out or were terminated from the program, and the number of accounts ever opened. All figures reflect the status of each program as of the fall of 1999.

Fourteen of the sixteen programs were under-subscribed. That is, the number of open accounts in these programs is smaller than the number of accounts for which funding is available or smaller than the expected number of open accounts. For programs where the number of funded accounts or expected accounts was not available, we judged whether the program was under-subscribed by asking respondents if recruitment was behind schedule.

Among the twelve programs that provided information on the number of funded and/or expected accounts, five had 50 percent or more that were not yet established.

Attracting and Processing Participants

Respondents from most programs reported a variety of difficulties recruiting candidates and filling available slots, and felt that there was substantial unmet need for IDA accounts in the target population.

Respondents also consistently identified the same factors that make it difficult to attract and process participants. Many program managers and administrators consider the current eligibility requirements for program participation too restrictive. Some expressed the opinion that an IDA program would naturally be more useful to those with incomes high enough to allow them to save consistently. This sentiment was most pronounced among those with an income eligibility threshold of 150 percent of the poverty level, but was also shared by others.

Some respondents from programs that target particularly destitute communities mentioned that residents who had previously experienced scams were wary of offers that sounded to them like "free money." Furthermore, most programs noted that people needed to be convinced that they could save before they would apply.

- ***Leon (IA)***: SCI-CAP added that many of their prospective applicants (non-urban and with incomes at or below 150 percent of the poverty level) are wary of banks in general and needed time to come to trust the credit union as an institution.

Exhibit 4-1: IDA Program Participation Data

Program location	Number of participants (Fall 1999)	Number of funded or expected accounts	Number who completed program and closed account	Number who dropped out of program and closed account	Approximate number of accounts ever opened	Months in operation (Fall 1999)
Chicago (IL)[1]	250	300	48	20	270	48
Evansville (IN)	94	149	8	na	102	23
Ft. Wayne (IN)	39	120	3	2	44	24
Gary (IN)	41	140	3	na	44	19
Goshen (IN)	37	50	na	2	39	23
Muncie (IN)	61	73	6	6	73	24
Leon (IA)	32	na	1	na	33	48
Asheville (NC)	44	55	2[2]	na	46	23
Raleigh (NC)	18	18	0	8	26[3]	8
Winston-Salem (NC)	29	na	0	7	36	9
Cincinnati (OH)	17	na	0	na	17	13
Erie (PA)	110	250	0	8	118	18
Lancaster (PA)	78	200	0	na	78	16
Philadelphia (PA)	440	649	8	88	536	36
Pittsburgh (PA)	35	100	0	0	35	18
Barre (VT)	117	na	10	na	127	24

- ***Raleigh (NC)***: The opposite was true for Passage Home, where prospective applicants (urban and with incomes up to 80 percent of area median income) had previous experience with banks, had saved in the past, and needed no convincing to enter the program.

In contrast only one program mentioned that mandated limitations on the allowable uses of accounts deterred applicants:

- ***Gary (IN)***: Tradewinds cannot allow savers to spend their match on buying or repairing a car or for home improvement, even though these are attractive savings goals for their target population.

---

na = not available

[1] The Chicago program includes both the original demonstration with 50 slots and the current program with 250 slots.

[2] These two participants accumulated enough savings to afford a down payment on a home without the match money. They chose to withdraw their savings and make down payments before the minimum savings period, thus forgoing the match money.

[3] The Raleigh (NC) program had funding for 18 savers to receive the full match. Expecting not all savers to make the full match (given their program structure) and expecting others to drop out, the program decided to start by opening 26 accounts.

Retaining Participants

All programs have dealt with--and continue to deal with--participants who open accounts and then stop saving and drop out of the program, or are dropped from the program for not meeting the participation requirements. Because of the time, expense, and effort invested in each saver, a number of programs actively work to recruit and accept those who appear motivated and capable. The respondents from these programs indicated, however, that there are no factors that predict with any certainty which applicants will succeed.

Almost all respondents mentioned lack of motivation and the consequent inability to maintain a consistent savings pattern as the most common factors causing savers to drop out. In addition, the Cincinnati (OH) and Philadelphia (PA) programs identified another dropout scenario involving savers who are just scraping by with very low incomes and families to support. For them, the saving program goes well until there is a disruption to their living routine like a job layoff, a medical problem, a relationship problem, an issue with housing, or even a car repair (not to mention a fight, assault or other crime). These kinds of disruptions become crises in the lives people living without any kind of economic cushion. Because such savers simply do not have the capability to “bounce back” and stick with the program, they drop out.

One must bear in mind, however, that a very high percentage of the accounts ever opened remain currently open, as both the dropout and completion rates are low. The latter reflects the fact that participation in such programs is typically a long-term process that involves a slow buildup of savings.

C. Characteristics of Participants

There are some similarities in the program clientele across programs. They are primarily serving low-income persons. Most participants are employed at least part-time. Most are single women, and most of these women have children to support. However, there are also important differences between programs in the demographic characteristics of their participants. These differences appear to be driven by the demographics of the local program area as well as by the non-IDA services provided by the sponsoring organization and thus the demographics of the existing client base. Data by program are shown in Exhibit 4-2.

Income Level, Employment, and Assistance

Thirteen of the sixteen programs apply an income limit at or below 200 percent of the poverty level. Among these, the cap is 150 percent for eight programs--the five Indiana programs, plus Chicago (IL), Cincinnati (OH), and Barre (VT). The cap is 200 percent for the other five programs--Leon (IA) and the four Pennsylvania programs.

Exhibit 4-2: Demographic Characteristics of IDA Participants

Program location	Income level, employment, and assistance	Gender, family status, and age	Race/ethnicity and geography
Chicago (IL)	Earning up to 150% FPL; 100% employed. About one-third are presently receiving some type of assistance.	Most are single mothers between the ages of 30-49 years.	Most are Africia-American (87%), living in an urban area (78%)
Evansville (IN)	Earning up to 150% FPL; 88% employed	93% female, 81% have children;, 21% married	46% Caucasian, 42% African-American; 97% urban, 3% rural
Ft. Wayne (IN)	Earning up to 150% FPL; all are TANF eligible	na	Na
Gary (IN)	Earning up to 150% FPL and/or TANF recipients	"Mainly women," disabled or in the process of rehabilitation	Most are African-American
Goshen (IN)	Earning up to 150% FPL or up to 60% AMI (two different kinds of accounts)	Many are single mothers; some are under 18 years old and saving for college	57% Caucasian, 22% Hispanic, 5% multi-ethnic, 16% Other
Muncie (IN)	Earning up to 150% FPL; estimated 70% on TANF	Na	Na
Leon (IA)	Earning up to 200% FPL; 90% are employed	2/3 married HH, 1/3 are part of a one-parent HH; mostly families; mostly between 30 and 50 years old;	na
Asheville (NC)	Earning up to 80% of AMI	Predominantly female-headed HHs; Most in their 20s and 30s	Almost all participants from Asheville (urban) are African-American; participants from the county (rural) are predominantly white
Raleigh (NC)	Most earning 50% to 80% of AMI; mostly blue-collar workers; virtually none on TANF or FSP	Most are single mothers	Predominantly African-American
Winston-Salem (NC)	Earning up to 80% AMI; Half of participants are TANF-eligible and FSP-eligible	95% female-headed HHs; most are 30-35 years old	100% are racial/ethnic minorities
Cincinnati (OH)	Earning up to 150% FPL (many earn far less); Almost all working at least part-time; Almost all participants on some form of assistance (TANF, FSP, Medicare, Medicaid, etc.)[1]	Predominantly female-headed HHs	Predominantly African-American; all participants from a very impoverished urban area

[1] The first-year funding for the Cincinnati (OH) program required that all participants be on one of these forms of assistance. The program has now secured new funding without this requirement.

TANF = Temporary Assistance for Needy Families
FSP = Food Stamp Program
FPL = federal poverty level
na = not available
AMI = area median income
HH = household

Exhibit 4-2: Demographic Characteristics of IDA Participants (continued)

Program location	Income level, employment, and assistance	Gender, family status, and age	Race/ethnicity and geography
Erie (PA)	Earning up to 200% FPL; typically working poor and those moving from welfare to work; about 35% on TANF	Mostly single women	All participants are urban
Lancaster (PA)	Earning up to 200% FPL	85% female 75% are single mothers	na
Philadelphia (PA)	Earning up to 200% FPL; 61% with monthly earned incomes up to $100; 15% with incomes of $100 to $1000; 13% with $1000 to $2000, and 11% with $2000+; estimated 18% on TANF	83% female /86% single, separated, divorced or widowed; Age distribution: 11% in 20s; 35% in 30s: 33% in 40s; 19% are 50+; 65% have children	60% African American, 29% Caucasian, 4% Latino/Hispanic, 9% Other; 81% urban/19% rural
Pittsburgh (PA)	Earning up to 200% FPL; typically working poor and those moving from welfare to work; about 75% on some form of public assistance	Most are single mothers; most in their 20s and 30s	50% African-American, 50% Caucasian
Barre (VT)	Earning up to 150% FPL	Single parents, mostly women, mostly in their 30s	na

The North Carolina programs, however, have participants earning up to 80 percent of area median income, which extends significantly above 200 percent of the poverty level. For example, 80 percent of area median income in Raleigh was approximately $57,000 for a family of four in 1998; 200 percent of the corresponding poverty level was $32,900.

One of the North Carolina programs is reaching the high end of qualified earners, while another seems to be serving the lower end of qualified earners:

- ***Raleigh (NC)***: Passage Home reported that their participants were earning 50 to 80 percent of area median income and were already accustomed to saving and were familiar with banks. Because of their income level, none of the Raleigh participants were on any kind of assistance.

- ***Winston-Salem (NC)***: In contrast, about half of the Forsyth County participants had incomes low enough to be eligible for TANF (and thus also eligible for food stamps). Additionally, most participants had no experience with bank accounts or saving.

Participants in IDA programs are usually employed, at least part-time (Exhibit 4-2). Nine programs, including all of those in Indiana and North Carolina, require that IDA deposits come from earned income – except for a few elderly or infirm persons for whom the earnings requirement is waived because they receive eligible kinds of assistance. In Chicago (IL), employment is a program requirement, requiring proof during the application process. (A participant becoming unemployed during participation in the program has three months to find employment before being terminated from the program.) Four other program respondents estimate that a large percentage of their participants are employed. Although explicit employment data is unavailable for the Pittsburgh (PA) and Barre (VT) programs, there is no reason to expect a different employment profile in these sites.

Although some programs reportedly collect data on the number of participants in assistance programs, only four programs were able to report the number of participants on TANF or on food stamps with any certainty.

- ***Chicago (IL)***: Over one-half of participants have received TAF assistance in the past, but only one-third are currently a TANF recipient. Only 5 percent currently receive food stamps, although the information here is less reliable.

- ***Cincinnati (OH)***: Because the first-year funding of the SmartMoney program required that participants be on some kind of assistance (TANF, food stamps, Medicaid, etc.), almost all current participants indeed receive some form of assistance. (Any participants not on assistance entered the program after the first-year funding expired.)

- ***Asheville (NC)***: No participants are on food stamps;

- ***Raleigh (NC)***: No participants are on TANF or food stamps.

Programs with a participant income limit of 150 percent of the poverty level could theoretically have a very high proportion of TANF and food stamp recipients. In the absence of more data, however, it is not possible to provide meaningful estimates.

Gender, Household Composition, and Age

Among the twelve programs that gave some indication of the gender, household composition, and age of participants, a general profile emerged. (See Exhibit 4-2 for details.) Account-holders are predominantly female household heads, meaning they are currently unmarried. Single males and couples are a minority for these programs with the exception of the Leon (IA) program. Here the SCI-CAP respondent indicated that two-thirds of their participants are from two parent households.

Information on the presence of children and account-holders' age was less readily available. When reported, respondents indicated a majority of their program participants had children. Similarly, IDA program participants were most often described as being in there 30s and/or 40s. However, some programs reported participation among older persons. The respondent from Goshen (IN) is the only one who indicated having some account holders who are younger than 18 years old.

Race/Ethnicity and Urban/Rural

Even fewer programs reported information on the race/ethnicity of clients or whether their participants were predominantly urban or rural. When provided the data indicate participants are more likely to be African-Americans from urban settings. The exceptions are Evansville (IN) and Asheville (NC) where a more even racial split was indicated. In general, the distribution of these characteristics reflects the profile of the low-income population in the individual program locations.

D. Use of Accounts

This section summarizes data by program on the savings goals of current participants, the sources of IDA deposits, and account activity.

Savings Goals

Home ownership (including *home repair* in programs where it is allowed) was by far the most prevalent savings goal reported by the programs under study. Of the seven programs responding all indicated at least half of their current savers opened accounts to support home purchase. *Business start-up* and *education* traded places about evenly as the second and third most frequent savings goals.

Several programs commented on how account-holders are using the *education* savings goal. Few savers appear to be saving for their own education, but instead for the education of their

children. These participants are of two types: those saving for children who will be of college age when the saver expects to earn the match, and those with younger children (or grandchildren) for whom they will put the savings and match into an educational IRA. Consistent with this pattern, staff from one of the North Carolina programs commented that participants perceived their own continuing education and job training as an immediate need. Saving for their own education/training needs over a period of one or two years was regarded as less attractive or less feasible than saving over a longer period for a child's post-secondary education.

Sources of Deposits

About two-thirds of the study programs require that participants make their deposits from earnings, and another four indicated that earnings are the source of most deposit funds. At the same time, some of these respondents acknowledged that deviations occur in practice. For example, three programs observed that a majority of participants use tax returns for lump sum, “make-up” deposits rather than regular deposits from their paychecks. Another respondent observed that the documented earnings and routine living expenses of participants at least suggest that some deposits will come from gifts or other sources.

Irregular, make-up deposits, whatever their source, is inconsistent with at least some of the goals of IDA programs. A few respondents pointed out that this pattern also is associated with losing interest and dropping out of the program.

Selected Information on Account Activity

Before discussing the amount of money saved in and withdrawn from accounts in the programs under study, it should be restated that the data collected for this report give a snapshot of current operations as reported by program staff. The account information should not be read as indicative of the prior or future status of these programs.

Additionally, bear in mind that detailed account-level data are not always available, making it impossible to calculate whether savers are meeting their weekly, monthly, or yearly deposit goals. What follows is a presentation of deposit totals and averages, and the available information on withdrawals. Deposit data are available for only nine of the sixteen programs and only two programs provided withdrawal data in dollars. See Exhibit 4-3 for program specific information.

The dollar value of *total deposits* ranges from about $8,500 to $146,000, reflecting differences in both program size and age, as well as individual savings behavior. These figures are a direct, aggregate measure of what participants themselves put into the program from their own funds.

Exhibit 4-3: Deposits, Accrued Match, and Account Balances

Program location	(1) Months in operation	(2) Number of participants	(3) Total deposits	(4) Total accrued match	(5) Total account balance[1]	(6) Effective match rate[2]	(7) Average account balance per participant[3]	(8) Average monthly deposits[4]	(9) Average monthly deposit per participant[5]
Chicago (IL)	48	250	45,300	45,300	90,600	1.00	362	944	4
Evansville (IN)	23	94	25,773	89,400	115,173	3.46	1,225	1,121	12
Fort Wayne (IN)	24	39	na	na	na	na	na	Na	na
Gary (IN)	19	41	na	na	na	na	na	Na	na
Goshen (IN)	23	37	11,152	33,457	44,609	3.00	1,206	485	13
Muncie (IN)	24	61	14,789	44,368	59,200	3.00	970	616	10
Leon (IA)	48	32	9,000	na	na	na	na	188	6
Asheville (NC)	23	44	na	na	na	na	na	Na	na
Raleigh (NC)	8	18	8,500	34,000	42,500	4.00	2,361	1,063	59
Winston-Salem (NC)	9	29	12,210	24,420	36,630	2.00	1,263	1,357	47
Cincinnati (OH)	13	17	na	na	na	na	na	na	na
Erie (PA)	18	110	40,000	20,000	60,000	0.50	545	2,222	20
Lancaster (PA)	16	78	21,550	10,775	32,325	0.50	414	1,347	17
Philadelphia (PA)	36	440	145,896	58,635	204,531	0.40	465	4,053	9
Pittsburgh (PA)	18	35	8,750	4,375	13,125	0.50	375	486	14
Barre (VT)	24	117	33,000	54,000	87,000	1.64	744	1,375	12

na = not available

[1] Total deposits and total accrue match; (3)+(4).

[2] Total accrued match/total deposits; (4)/(3).

[3] Total account balance/number of participants; (5)/(2).

[4] Total deposits/months in operation; (3)/(1).

[5] Average monthly deposit/number of participants; (8)/(2).

To indicate the *total account balance* available to program participants requires adding the *total accrued match* to total deposits. The match results in a 40 to 400 percent increase in funds available. Stated otherwise, the ratio of accrued match to participant deposits--or the *effective match rate*--ranges from 0.40:1 in Philadelphia (PA) to 4.00:1 in Raleigh (NC). Note that these totals are affected by the factors described above and differences in match policy, including the timing of a state's release of match funds to the local programs.

On an individual level, the *average account balance per participant*, including both deposits and accrued match, ranges from $362 Chicago (IL) to $2,361 in Raleigh (NC). The average among the eleven programs reporting this information is $903.

At an aggregate level, the IDA programs in the study are typically handling from a few hundred to a few thousand dollars in *average monthly deposits*. Philadelphia (PA) is at the high end, with more than $4,000 per month. Leon (IA) is at the low end, with under $200 per month.

Another way to look at the information on participant deposits involves controlling for both the number of months of program operation and the number of participants. This results in an *average monthly deposit per participant*. These values range from $4 in Chicago (IL) to $59 in Raleigh (NC).

Unfortunately, data on account withdrawals were very limited. Exhibit 4-1 provides a snapshot of account closures associated with achieving one's savings goals and exiting the program. In addition to the withdrawals that represent successful program completion, there are also unauthorized or emergency withdrawals that do not necessarily result in closure. Only two programs provided these numbers; Erie (PA) and Muncie (IN) reported 7 and 8 such withdrawals, respectively.

E. Results from Other Studies and Evaluations

Most IDA programs typically have not involved any associated research effort. This is consistent with their small and localized nature. Although two states, Indiana and Iowa, have provisions for evaluation. it appears that neither state has enforced these requirements. The North Carolina IDA programs are being evaluated by the University of North Carolina-Chapel Hill, but to date only the early implementation assessment has been completed.

Below we summarize findings from a study of community development credit unions concerning the savings patterns of low-income individuals. Community Development Credit Unions (CDCUs) have long facilitated savings among low-income households,

although without match funds. A study of its members by the National Foundation of Community Development Credit Unions[1] found that:

- As of 1995, more than 170,000 CDCU participants (with a median family income of $19,000) had made more than $250 million in total deposits.

- Of the 137 federally charted CDCUs studied, the average account balance per participant was nearly $1,600 in 1995.

- There are strong positive correlations between average account balance per participant and the age of the credit union, the interest rate received, and the availability of savings instruments such as IRAs and certificates of deposit.

The extent to which poor households are willing to transform cash savings into productive assets is largely unknown, however.

The most extensive research effort undertaken to date on asset accumulation initiatives for low-income persons is the American Dream Demonstration (ADD), as described in Chapter 2. The evaluation is still underway, but preliminary findings from 13 sites indicate that: [2]

- Between September 1997 and June 1999, 1,326 participants had opened IDA accounts across the 13 sites. This represents an average of 102 participants per site.

- The total deposits into accounts across all 13 sites by June 1999 was $378,708, excluding match funds.

- By June 1999, 92 account holders (or 7 percent of all participants) had made matched withdrawals from their accounts. These withdrawals amounted to $52,688 in participant funds and $96,651 in match funds.

- Account holder characteristics were as follows: 78 percent were female; 66 percent were under 40 years of age; 58 percent had attended or completed college; 59 percent were employed full-time, and 25 percent were employed part-time. By race/ethnicity, 40 percent were African-American, 41 percent were Caucasian, and 12 percent were Latino. One-half (50 percent) had monthly incomes between $1,000 and $2,000; more than one-third (35 percent) had lower monthly incomes.

Analysis by CSD of the early pattern of savings among ADD participants indicates that IDA deposits constitute 8 percent of income for those with household incomes at or below

---

[1] Cited in Boshara, et al, *Building Assets* (1998).

[2] See Michael Sherraden et al., "Savings Patterns in IDA Programs," Center for Social Development, Washington University in St. Louis, January 2000.

50 percent of the federal poverty level. For those with incomes at or above 150 percent of the poverty level, the corresponding savings rate is 2 percent.[3]

F. Summary

At the time of data collection, the sixteen programs under study were fully operational and serving active account holders. All but one were still accepting new applicants and creating more accounts. They had all been operating for at least eight months, with ten programs operating for eighteen months or more. A total of 1,624 accounts had ever been established across all programs. Nine of the programs have had participants successfully attain their savings goals; a total of 89 participants had met all requirements and had applied their savings and the accrued match to approved asset purchases.

Participants are overwhelmingly female, and a significant portion of them are African-American. The majority of female participants are heading households with children. Information on the extent to which participants were on cash assistance or food stamps was not available. The vast majority of participants are working at least part-time. The income restrictions in place in about one-half of these programs imply that almost all of those participants would be eligible for some public assistance. The overwhelming majority of deposits are from earned income, both in programs that explicitly require this and those that do not.

Although the majority of programs are currently under-subscribed, all programs perceive a significant unmet need among their target populations for asset accumulation. Several of the local organizations are clearly positioned to continue their IDA programs beyond the initial round of funding and already have or are building their capacities to do so. Common difficulties in filling slots include limitations on income eligibility and the effort involved in recruiting and processing applicants, along with supporting them throughout the program. A number of programs are in the process of seeking additional funding to add more staff to bolster recruitment and support resources.

More than one-half of current program participants are saving for home ownership (or home repair, where also allowed). The programs vary significantly in scale. In the largest of the programs under study, participants had deposited a total of almost $146,000; in the smallest, $8,500. The average account balance per participant (including both deposits and accrued match) ranged from a high of $2,361 down to $362. Information on the amount of authorized and unauthorized withdrawals was generally not available.

---

[3] This funding has been interpreted by CSD as supportive of the institutional theory of saving, noting that "the expectation of a certain amount of matchable savings, along with other program characteristics, appears to shape saving behavior very strongly" (Sherraden, 2000, p. vii). Such an interpretation of participant behavior seems premature, in the absense of any control-group or comparison-group data as the basis for constructing the counterfactual.

Chapter 5: Lessons Learned

The early experiences of state agencies and local organizations in developing and operating IDA programs provide a number of lessons for policy makers and program practitioners. These lessons can be summarized as follows:

- The organizations that operate IDA programs face considerable requirements for staffing and other resources, which these organizations are often strained to meet with their available funds.
- The participants in IDA programs must commit themselves to regular savings, which they often find difficult to achieve under their financial circumstances.
- The task of recruiting and retaining participants, with the aim of making full use of program funding, is made especially difficult by the desire to serve those most in need.

In the following sections of this final chapter, we discuss each of these lessons in the specific context of the 16 operational programs under study. We then cite the experience of the four states with non-operational initiatives. We conclude the chapter by identifying questions for further research, some of which is currently underway.

A. Administrative Requirements and Resources

To reiterate, our first major lesson is as follows. *The organizations that operate IDA programs face considerable requirements for staffing and other resources, which these organizations are often strained to meet with their available funds.*

IDA programs are labor intensive.

A resounding lesson from most local IDA organizations is that they take a lot of staff effort to implement and operate. Some liken the program to social work, where every individual requires individual attention and monitoring to have a chance to succeed. Once up and running, IDA programs do not simply sustain themselves. Participants face emergencies and miss deposits, for example, requiring continued attention to keep them on track. As discussed later, this seems particularly true for programs that serve the lowest income populations, for whom day-to-day cash needs are so urgent that it is very hard to make deposits and leave them undisturbed.

- ***Muncie (IN)***: Muncie program administrators note that IDA accounts require a great deal of case management; it is simply hard to get people to think and behave differently about their money. In retrospect, administrators would have secured more staff or simply established fewer accounts.

- ***Erie (PA)***: GECAC has a program director and 14 caseworkers. With many other responsibilities, the program director still spends about three-fourths of the workweek on the IDA program; caseworkers spend about one-quarter to one-half of their time on it. The director performs everything from outreach, income verification, working with banks, working with participants, helping participants resolve problems, and putting together quarterly reports. Among other IDA-related activities, caseworkers review all bank account statements on a *weekly* basis.

Participants need one-on-one attention.

Local IDA program managers have found that their programs are sufficiently complex and demanding of participants that one-on-one attention is fundamentally important.

Some one-on-one attention is necessary from the very start. Staff need to explain the program to potential applicants several times, clarify rules, and answer questions in great detail. Staff must also complete any initial credit checks and counseling. From there, they must monitor savings activities, review account balances, and take action if participants falter. Finally, they must process and oversee many details associated with goal achievement, such as home purchases and business startups.

Adequate administrative funding for this sort of assistance is vital to program success. Lack of such funds has inhibited some programs from utilizing all of the match funds available to them.

- ***Evansville (IN)***: CAPE staff have learned that it is critical to read the complete program contract aloud to each individual to ensure that they truly understand and absorb it. Otherwise, applicants have a tendency to sign the agreement and later say that they were never told about specific rules. Reviewing the contract in a group setting has proven insufficient; it has to be one-on-one.

- ***Leon (IA)***: SCI-CAP performs most activities on a one-on-one basis. First, potential applicants who call for information are assessed for initial eligibility. If they remain interested, an appointment is made for a one-on-one staff consultation. If the applicant is in a different county, a staff member drives out to meet with the applicant. During the meeting, staff try to demonstrate how participants can save. Applications are reviewed individually and, if approved, another conversation is arranged to make sure the applicant understands the program requirements. This level of close attention to individual participants continues through the course of program participation.

- ***Erie (PA)***: GECAC staff feel that it is important to meet with all participants regularly and consistently, for at least one hour per month per participant. Among other things, frequent contact enables the program to better respond to participants' emergency needs, such as a medical problem or car repair. Because such occurrences are all too common among low-income households, it is important (albeit difficult) to encourage participants to leave their IDA funds untouched and try to find other ways to meet their emergency cash needs. Often, however, the participant's only alternative is to use the IDA funds.

Financial education classes are a key program component.

Many IDA practitioners believe that financial education is the critical component of an effective program. Although the match money provides the incentive that attracts people to the program, the financial literacy and asset-specific training classes may have the greatest impact on participant decision-making.

- ***Goshen (IN)***: LaCasa staff note that the "light bulb clicks on" for most participants at the financial literacy class. Participants are amazed to learn how interest rates and compounding can cause savings to add up. They are also amazed to learn how badly their debts (such as car loans) tend to be financed. Some take action after the class to refinance their loans or change banks to get more favorable interest. The class educates them and makes them more aware.

- ***Barre (VT)***: CVCAC staff feel strongly that the matching funds are only the 'carrot' that gets people in the door. The essence of the program is the personal transformation that occurs through training and peer support. It is a pleasant surprise to staff that participants are often very engaged by the financial workshops. The match money, on the other hand, is the incentive that gets people involved.

Program effectiveness requires adequate administrative funds.

Several local programs note that their biggest barrier is a lack of administrative funds. In several states, particularly Indiana and North Carolina, no administrative funds are provided in state appropriations. Instead, all state funds are earmarked for use as IDA matching funds; any administrative expenses must be covered by funds secured elsewhere.

Some of the larger, more established local organizations cope with administrative under-funding by supporting program administration through their general operating revenues. Other cost-saving approaches are to market the IDA program to participants of other programs administered by the same organization or to secure staff assistance from Americorps/VISTA volunteers. In general, smaller local organizations have had a harder time overcoming the barrier of inadequate administrative funds. The larger and more established organizations, in contrast, have the connections and fund-raising experience that allows them to raise additional administrative funds from foundations or corporate sources.

A common perception is that, given very limited administrative budgets, basic program operations and case management activities tend to crowd out additional marketing to keep the program growing.

- ***Ft. Wayne (IN)***: Ft. Wayne staff similarly note that they need at least a half-time administrator, if not a full-time administrator, to handle key program operations such as client intake, tracking, correspondence, and promotions. These operations are labor-intensive but are key to program growth. It has helped that the organization is well known and respected in the community, making it easy for people to walk in from off the street and ask for information.

- ***Gary (IN)***: Tradewinds staff noted that community development corporations (CDCs) desperately need funding for program administration. Staff are very over-burdened and have ended up having to run much of the program on their own personal time. Among other things, this situation limits Tradewinds' ability to provide a complete package of services (e.g., individual counseling to help people avoid making emergency withdrawals from their IDA accounts).

- ***Goshen (IN)***: LaCasa staff note that it requires a fulltime staff person to operate an IDA program. They cite the lack of administrative dollars to support such a person as the primary barrier to program development.

- ***Asheville (NC)***: Staff at the Affordable Housing Coalition would like to be out in the community promoting the IDA program more, but feel they cannot, given their lack of administrative resources.

- ***Raleigh (NC)***: Passage Home's IDA administrative costs are absorbed by the organization's operating budget.

- ***Cincinnati (OH)***: SmartMoney, on the other hand, has found that funding both match and administrative expenses has *not* been a problem. They secured administrative funds from the county 's Department of Human Services for 1998-99 and from other sources for 2000.

- ***Erie (PA)***: GECAC staff believe that, with more caseworkers and funds, they could serve more clients and use the available match monies. Given the current level of staff available to operate the program, however, they feel they have reached their internal capacity.

- ***Lancaster (PA)***: Tabor staff believe the program is under-utilized on paper, but is actually at capacity for the level of case management required. They would need more staff time for processing paperwork and managing cases before they could recruit more participants.

IDA programs may take longer to establish than expected.

Several local program staff noted that it has taken them much longer than anticipated to establish their program. This has occurred for several reasons. First, there are many

arrangements to make in developing an IDA program. These include establishing partnerships with banks and other service providers and planning for the eventualities that may occur as participants with different interests and circumstances move through the program. Although some programs opted to begin operations and deal with issues as they emerged, others cautioned that a significant level of planning is necessary to avoid later problems.

Second, despite the promise of favorable financial returns (or perhaps *because* of it, as the program strikes some as "too good to be true"), enrollment can be slower than expected. Some program staff mistakenly expected the program to "sell itself."

Third, some staff noted that participants may be inclined to drop out of the program in the earliest stages, even after completing financial training. It can thus take a long time to get any number of clients to the point of actually using their accounts to purchase assets.

- ***Evansville (IN)***: CAPE staff note that their IDA program, despite being two years old, still feels relatively new.

- ***Lancaster (PA)***: Tabor staff noted that it took them many months to develop their program, as they worked through a myriad of operational details. This developmental stage was considered necessary, however, to plan for the different situations that staff would encounter.

In contrast, note that the required time for implementation was relatively short in Barre (VT), as CVCAC staff developed organizational relationships in the course of their grant application. These arrangements were therefore set up in advance. The grant was so complete (e.g., with banks already selected) that implementing the program was straightforward.

Pre-existing relationships with financial institutions prove valuable.

Most local organizations had some prior relationship with a local financial institution before developing their IDA programs. Housing-oriented organizations, for example, typically had relationships with banks for home mortgages. In some cases, financial institutions were significantly involved in the design of the IDA program, in providing matching or administrative funds, or in offering staff as instructors in financial education classes.

- ***Leon (IA)***: As the name makes clear, the SCI-CAP Credit Union is a co-sponsor of the SCI-CAP Credit Union IDA program. The credit union was established in 1968 for SCI-CAP employees. It is a state-chartered, non-profit financial institution owned by its members and established to encourage the savings of its members. The credit union has assets of $1 million, with about 600 low-income members. It has been closely linked to SCI-CAP and the IDA program since the program's inception.

- ***Asheville (NC)***: The Affordable Housing Coalition had previous relationships with the Community Reinvestment Act (CRA) representatives of all three banks involved in their IDA program. These relationships have been important, and program staff work hard to maintain solid ties with the banks. In addition to in-person contact, IDA staff provide quarterly program summaries and briefings to the banks, with demographic and program development statistics. In this housing-focused program, the lenders participate in the IDA program training.

- ***Raleigh (NC)***: The partnership between First Citizens Bank and Passage Home was previously established through Passage Home's other housing programs. Because Citizens Bank had a history of active community work, it was relatively easy to interest them in becoming a partner in the IDA program. In addition to hands-on work, First Citizens is providing a significant contribution of IDA match money. For First Citizens, the IDA program is an appropriate and high-profile vehicle for community involvement.

- ***Cincinnati (OH)***: The connection between the SmartMoney IDA program and the Cincinnati Central Credit Union is exceptionally strong. The program manager's office is actually *inside* the credit union.

- ***Erie (PA)***: GECAC had previously worked with the CRA officers of the two banks involved with the IDA program. As a result, it was fairly easy to recruit them to the program, especially because the program provides the banks with CRA credit and increases their customer base. GECAC held informal meetings with both CRA officers to discuss the IDA program as soon as they started writing the proposal to develop it. There were no difficulties in establishing a partnering relationship.

- ***Lancaster (PA)***: An exception to the pattern is Tabor Community Service's IDA program, which initially had a difficult time getting banks involved. Tabor had no history with Fulton Bank, and the bank at first saw no gain in getting involved with the IDA program. Eventually, after significant efforts on the part of Tabor, the bank came to see IDA participants as potential new customers and became interested in tapping this new market. Ironically, with this success, other banks have approached Tabor to become partners in the IDA program.

- ***Barre (VT)***: CVCAC staff had established its relationships with the financial organizations prior to the IDA program's inception. In fact, these relationships were featured in CVCAC's initial grant application to establish the IDA program.

Some local IDA program staff have found it easier to work with smaller banks than larger ones, for several reasons. Smaller banks have an easier time handling 'special' IDA bank accounts, where larger banks may lose them in the shuffle. Some program staff also feel that it is easier to communicate with staff from smaller banks concerning IDA accounts and specific account holders. Finally, small banks experience fewer staffing changes that tend to disrupt IDA program operations.

On the other hand, some local IDA program staff note that larger banks offer their account holders more bank branches, facilitating deposits and program participation generally.

B. Requisites of Success for Participants

Our second major lesson pertains to the requirements of IDA programs on the account holders. *The participants in IDA programs must commit themselves to regular savings, which they often find difficult to achieve under their financial circumstances.*

To succeed, participants must develop trust in the program and confidence in themselves.

Most local program staff observe that gaining the trust of participants is a critical barrier to overcome in operating an IDA program. Those offered participation in the IDA program, with its promise of matching dollars, may consider the program "too good to be true," perhaps even regarding it as some sort of a scam. As a result, simply advertising the program through flyers or advertisements often yields very few applicants.

In addition, for some populations there may be a general stigma against banks. Many potential IDA applicants have never been bank customers before and may therefore be very reluctant to turn money over to them. Even those participants who trust the IDA sponsoring organization may thus have difficulty with the notion of working with a bank.

Establishing trust is therefore critical to get people enrolled in IDA programs. For those programs operated by well-known organizations, however, the challenge may be reduced. Other programs have enlisted local clergy in their recruitment efforts, finding that they have more trusted access to potential participants than anyone else in the community. This may be particularly true for more rural, isolated populations.

- ***Raleigh (NC)***: Passage Home is one example, however, where outreach was reportedly *not* a problem. There is a significant need for affordable housing in the local area; people who heard about the IDA program responded readily to what sounded like a good deal. Through word-of-mouth, the program quickly received more applications than they had slots. Their 26 enrollees started the program all at once. Also contributing to this success was that the program serves a higher segment of the low-income population (up to 80 percent of area median income) and has a 4:1 match rate.

- ***Winston-Salem (NC)***: Forsyth uses churches for outreach, especially outside city limits where the staff has found it consistently more difficult to enroll IDA participants.

- *Cincinnati (OH)*: SmartMoney finds that low-income persons are wary of the financial terms offered by the program. One way to overcome this suspicion is through events that publicize others' successful completion of the program. It takes time to build trust, and people often have to see that the program is real before they will participate; they may have been victimized by scams before. IDA enrollment has been aided by the fact that SmartMoney's credit union, which holds the IDAs, serves a number of other SmartMoney programs. Members of the IDA target population, which includes the client base from these other programs, may thus already have accounts at the credit union.

Establishing trust in the IDA program and its sponsors and financial institutions is one hurdle that programs face. A second is getting participants to believe in themselves and in their ability to succeed in the program.

Several local organizations note that they spend significant efforts working with participants and potential enrollees to get them to believe that they can succeed in the program. In many cases, participants have experienced demoralizing previous financial setbacks and failures, making them doubt their ability to save enough for a major purchase such as a home. IDA staff face the challenge of making such people believe that success is actually possible. In some cases, the best approach has been to bring a current or past participant to speak about their experience in the IDA program.

- *Leon (IA)*: SCI-CAP staff note that the IDA program creates an interest among potential enrollees, but many still believe in their hearts that they cannot save. To get these applicants to change their minds and take advantage of the program, staff must spend considerable time, which is a scarce resource.

Client motivation is essential to success.

Local program staff have learned that client motivation is essential, given the demands of IDA participation. Most staff would probably say that of all other possible requisites of a successful IDA program, client motivation is paramount.

IDA programs demand personal fiscal discipline, learning about both finances and one's savings goals and having the will and follow-through to save regularly. Some programs also have peer support components that require an additional level of maturity and social skill among participants. Many clients enter the program without these skills and must commit themselves to gaining them. Although strong motivation may not itself guarantee success, program staff feel that it is necessary for a participant to have a chance of succeeding.

- *Evansville (IN)*: CAPE staff feel that success is partly a matter of "chemistry" -- the right person with the right attitude. They cite the example of a working woman who was very devoted to the program and is now buying a home. She saved $600 more than she had to and got a better home than she otherwise could have through Habitat for Humanity – her only other alternative for affordable housing. When asked how she did it, she proudly tells people, "I paid my money on time."

- ***Barre (VT)***: CVCAC staff consider participant motivation the single most important factor in program success. People who truly want to save usually can save. In contrast, staff find no correlation between the income levels and savings amounts of participants.

Staff at some programs note that applicants occasionally enter an IDA program as an effortless path to "easy money." Such participants tend to disappear eventually, once they realize there are serious commitments involved. Some are actually "converted" in the course of the program, however, making a real commitment in mid-stream.

- ***Evansville (IN)***: CAPE staff have found that some people come into the program expecting a short-term windfall. Staff observe that such people are so accustomed to hustling that they seem to need to think that they are taking advantage or "getting one over" on the IDA program, even if they appear to actually be participating appropriately. Although some of these people drop out of the program, a few have successfully gone on to complete it.

- ***Leon (IA)***: SCI-CAP has consistently attracted a number of people who are just looking for "fast money." Ultimately, however, the program retains a more committed group of working poor, most of whom are families and a few of whom are grandparents.

- ***Lancaster (PA)***: Tabor IDA staff have observed that participants who first appear attracted by the match (as "free money") may end up liking what the program offers. Despite the initial indications, these participants sometimes come to enjoy the classes and want to learn and participate.

IDAs may not be for people who are seriously distressed.

Several local organizations have noted that IDA participants need to be already "on their feet" to a certain extent before they can readily succeed. Such programs pose multiple challenges for participants and require long-term commitment. Staff have found that individuals facing any substantial personal or family stress are unlikely to succeed in an IDA program, given its rigors and the limited capacity of the staff to support individual participants through recurrent crises. Some program staff candidly acknowledge that their programs are geared for the working poor striving for self-sufficiency, rather than for more difficult-to-serve populations.

- ***Evansville (IN)***: CAPE staff note that those most likely to participate in the IDA program have a sense of direction. Even if the client's aspiration is not carefully considered, it implies some stability and some potential to succeed in the program. The program may not be as effective for those whose impoverishment has caused a loss of direction, hope, or motivation.

- ***Goshen (IN)***: LaCasa staff observe that the IDA program tends to attract goal-oriented people who want to advance their lives. It tends not to work for people who lack this desire to improve their situation.

- ***Muncie (IN)***: Muncie staff note that individuals at or below 150 percent of the federal poverty level are a very challenging population to serve. Persons at this income level are often living day to day; saving money for future use is difficult for them. For this reason, some staff conclude that the program is not for the poorest people and believe that the restrictive income eligibility guidelines have served to limit the program's utilization.

- ***Cincinnati (OH)***: SmartMoney staff note that two people dropped out of their IDA program in the previous month because of major family crises. Another five dropped out because they simply needed their money too badly to leave it in savings.

- ***Lancaster (PA)***: Tabor staff find that those who have dropped out of the IDA program "had a lot of stuff going on," from emotional or other mental health problems to family crises to homelessness. It is understandably hard for persons with such urgent needs to make the commitments associated with IDA participation.

Account withdrawals for unspecified emergencies are an early-warning signal of participant difficulties.

Although staff may be unable to predict IDA participant difficulties from the outset, at least one program notes that such difficulties may soon be indicated by unauthorized (and thus unmatched) withdrawals from accounts. A key early-warning signal is a client's seeking permission to withdraw funds without a clear explanation of the need for money or how (or when) the funds will be returned to the account. Most programs have policies to accommodate emergency withdrawals for specified contingencies. When the participant offers a vague reason for a withdrawal, however, it tends to signal trouble for that account-holder.

- ***Evansville (IN)***: CAPE staff note that when people need to withdraw the funds for a clearly stated reason, they are more likely to put it back. Although IDA staff try to emphasize that an IDA is a goal-oriented account, not a slush fund, a few participants still try to use it as such. Experience has shown that these account-holders tend to drop out of the program.

Individual participant success is hard to predict.

Despite many observations about the types of people who tend to succeed and fail in their IDA programs, local organization staff believe that it is difficult to predict success on an individual basis. In part, this is because the most tangible factors (such as education level) do not predict success, and the most critical determinants (such as motivation) are more difficult to observe in a program applicant. Staff from several programs implied that they are most able to predict individual success when they were able to speak with another service provider who had previously worked with the applicant.

- ***Evansville (IN)***: CAPE staff have found it hard to predict people's actions and are sometimes surprised by their participants. For example, they questioned the resolve of one woman who continued to attend participant meetings even though she expected to be dropped from the program. Staff made it clear that she could continue to participate if she tried.

- ***Goshen (IN)***: LaCasa staff observe that, although they may be able in hindsight to generalize about persons more likely to succeed, it is very difficult to *predict* the success of individuals from the start.

- ***Erie (PA)***: GECAC tends to screen income eligibility and general chances of program success very carefully and conservatively. If a participant drops out, the program loses the funding for that slot.[1] Either the program director or the caseworkers assess eligibility by looking at household income and debt to determine whether the participant can pay off their debt and still have something left over to deposit in the bank. They review the participant's pay stubs, last year's income tax records, and copies of recent utility and credit card bills. Most of the time GECAC does not officially enroll any participant for three months after the individual first makes contact. The staff can thus better determine whether the participant will be able to succeed in the program, and the applicant has time to reconsider.

C. Reaching and Serving the Targeted Clients

Our third major lesson regards the implications of decisions that programs must make about their target clientele. *The task of recruiting and retaining participants, with the aim of making full use of program funding, is made especially difficult by the desire to serve those most in need.*

Referral is probably the most effective outreach source.

Most local program staff agree that the most successful source of qualified applicants is referral from other programs, either from outside the organization or from other programs operated by their own organization. "Outside referrals" are particularly successful if the referring individual is knowledgeable of the IDA program and believes that the referred person has a good chance of success. "Inside referrals" are possible for IDA programs run by organizations that also operate other programs serving a similar clientele. Such referrals tend to be especially effective, as there is a clear understanding of the IDA program's requirements and the client's capabilities.

---

[1] When a participant enrolls in the program, state funds are used to open a holding account for that participant's match funds, assuming that the individual will eventually make full use of their match. When the participant makes an allowable asset purchase, the appropriate match amount is then released to the participant from the holding account. If, however, the individual drops out of the program, any balance of unused match funds must be returned to the state and cannot be reallocated.

On the other hand, all of the IDA programs under study had used other marketing channels as well. Most conclude that marketing through traditional media (e.g., flyers, advertisements, and radio) is not as effective as either outside or inside referrals.

- ***Evansville (IN)***: CAPE's HeadStart program is a strong source of referrals to the IDA program. It is effective because the agency already knows about the applicant, their circumstances, and whether they might succeed in the program. Eligibility for the IDA program can be safely presumed, as the person is known to be eligible for HeadStart. In addition, CAPE already has the person's application information. Finally, IDA staff can speak with other service providers who are familiar with the applicant. As a result, most referrals to the IDA program have come through other CAPE programs.

- ***Muncie (IN)***: Muncie gets most of its referrals from other organizations. Staff consider this to be one of the keys to the program's overall effectiveness.

- ***Cincinnati (OH)***: In the small geographic area that this IDA program serves, SmartMoney has longstanding relationships with many other social service organizations. These organizations are accustomed to working together, and all have referred clients to SmartMoney for financial help, including the IDA program. These referrals come from the organizations' current clientele and from new walk-in clients.

- ***Erie (PA)***: GECAC has mainly relied on advertising through its other programs. Many clients come to GECAC for other services; caseworkers mention the IDA program to determine if there is any interest. Staff see this approach as the most effective outreach mechanism; internal referrals are more likely to be both eligible and inclined to participate. GECAC also ran several articles in the local newspaper. The individuals who responded, however, were typically neither IDA-eligible nor familiar with GECAC. These marketing efforts have proven sufficient for the time being. GECAC's IDA program has as many participants as it can presently handle.

In contrast, staff from the Barre (VT) program feel that their radio and newspaper ads have proven most effective. Also important has been word of mouth from existing participants and referrals from the Vermont Department of Social Welfare (a key partner agency) and other supportive service groups. After two years, staff feel that a sufficient base of people knowledgeable about the program has been established for recruitment to be more easily sustained. Many people now come into CVCAC already knowing that the IDA program exists.

Importantly, some staff note that outside referrals are not an automatic or effortless source of referrals. The referring agencies must themselves be educated about the IDA concept, with which other social service program staff may be unfamiliar. As such, IDA program staff spend substantial time informing potential referral sources about the IDA program, including the requirements for entry and ongoing participation.

- ***Goshen (IN)***: Like many others, LaCasa's IDA staff have found that referrals were their most effective means of marketing. But they also found that other agency staff were generally unfamiliar with the IDA concept. LaCasa staff therefore went to other agencies to try to educate them in the interest of eventually getting qualified referrals. In addition, they learned that educating potential referral sources is an ongoing process, rather than a one-time event. LaCasa staff need to keep reminding and educating other agencies about the IDA program, in part due to gradual staff turnover at those agencies.

Rules setting minimum periods of participation may be constraining.

IDA programs differ in setting a minimum program participation period before a client can receive matching funds. In most cases, such limits aim to ensure that participants remain in the program long enough to complete the IDA-related training and counseling sessions.[2] In some cases, however, time limits may inhibit the use of accounts.

For example, there are instances in which participants enter an IDA program already within reach of their savings goal. These participants may complete the required training and may soon be ready to acquire an asset. A minimum participation period may prevent them, however, from using matching funds to do so.

- ***Asheville (NC)***: The Affordable Housing Coalition initially established a rule that participants must make deposits over a minimum of 12 consecutive months before qualifying for matching funds. Those participants ready to make a down payment sooner, however, have been unable to receive the match. (Indeed, two participants needed to make down payments on their selected homes before reaching the 12-month date and did so without the benefit of the match.) As a result, the required participation period may be shortened to 9 months.

- ***Erie (PA)***: Participants must have their accounts open for a minimum of 18 months and a maximum of 24 months to make an authorized withdrawal. Staff see this state-imposed rule as a significant constraint to effective program operations. . (Program staff elsewhere in Pennsylvania indicate that the state, in recognition of this problem, has now reduced the minimum required savings period to 12 months.)

Many programs are being under-utilized . . .

Many local IDA organizations report that their IDA programs are under-subscribed. That is, they have available matching funds that they are unable to commit. On the one hand, the staff feel that they do not have the administrative *capacity* to increase the scale of their program--most importantly, through the lack of administrative resources. In addition, however, there are concerns over the lack of interest in programs among local populations, as evidenced by the lack of response to outreach efforts. As already noted in Chapter 4, some

[2] Such limits may also be adopted to ensure that participants are not "gaming" the program by taking advantage of the match in making previously planned expenditures.

program staff attribute this lack of demand to low income eligibility limits or to restrictions on the use of accounts, where the latter may prevent participants from addressing their most immediate needs (e.g., to buy or repair a car, or make home improvements).

- ***Cincinnati (OH)***: Staff from SmartMoney feel that the first-year income eligibility threshold in their program (150 percent of the federal poverty level) limited the eligible population to those largely unable financially to take advantage of the program.

- ***Gary (IN)***: Tradewinds staff are puzzled that the response to the IDA program has been fairly low. The key factor to them has been the lack of administrative funds. They are unable to dedicate a staff member solely to the IDA program, which would allow them to better promote the program and better provide support to existing participants. Another contributing factor, however, is that program restrictions may discourage some participants from enrolling because they cannot save for their most urgent needs.

. . . but IDA staff feel that programs are achieving the desired participant outcomes.

When asked about the effects of IDAs on participants, local staff were very clear that IDAs change most participants' savings-related attitudes and behavior. Staff express these changes in terms of repairing credit, maintaining their first bank account, changing attitudes with respect to money, or even personal "transformations." In any case, program staff are clear in their belief that IDA programs have tangible impacts on their participants.

- ***Ft. Wayne (IN)***: Ft. Wayne staff believe IDA program participants have gained a better attitude toward saving, and most want to fulfill their dream of owning a home. For some of the lower income clients, this first contact with a bank has helped them to develop a positive attitude about banks and saving.

- ***Goshen (IN)***: LaCasa staff observe many small changes in participants' savings behavior that add up to significant differences. There is a lot of idea-sharing; one participant will come to class and share an idea for saving a few dollars, perhaps by using more coupons or searching their house for all pocket change and putting it into their IDA. Other participants may come to the next class and report that they have done the same.

- ***Leon (IA)***: SCI-CAP staff observe that IDA program participants proudly report that they are saving more money. This pride motivates further savings for themselves and for others in the program.

- ***Asheville (NC)***: Staff from the affordable program report that "When it's successful, it's wonderful." Participants tell staff that the program has really helped them; staff feel that this is so. Participants have cleaned their credit, paid debts, and saved. The program gets people in the *habit* of saving. Most participants say that they will continue to do so after the program ends.

- ***Raleigh (NC)***: Passage Home staff feel fortunate in that their participants actually entered the program with a strong desire to save and get ahead. The staff see the program as providing the tools to become better savers and budgeters, and they see participants as becoming much better savers through renewed motivation and the skills learned in the program.

- ***Winston-Salem (NC)***: Forsyth staff definitely see a change in participants' behavior. They "monitor their bank statements religiously"; some account holders report that they have never had so much money at one time in their lives.

- ***Erie (PA)***: To date, GECAC staff have observed substantial credit repair, addressing a chronic problem for most of their participants. The IDA program enforces the importance of maintaining good credit records and budgets. Many of the participants are just passing this hurdle, which staff believe is a must before participants can begin saving for larger life-impacting purchases.

- ***Lancaster (PA)***: Tabor staff believe that the IDA program has definitely changed how participants view the world. They think differently on a daily basis about how they shop, how to buy a house, and what it will be like to own a house.

IDAs can support the larger mission of a sponsoring organization.

An IDA program may initially be seen as an end in and of itself, whose goal is to aid participants in achieving their personal savings goals. However, several local organizations indicate that an IDA program can also support the local organization's larger mission.

- ***Gary (IN)***: Tradewinds Rehabilitation Center is a nonprofit organization serving the disabled. It provides physical rehabilitation and vocational and employment services and operates a sheltered workshop. Tradewinds seeks to be as comprehensive a service provider as possible, taking a "whole person" approach with its clients. The IDA program complements Tradewinds' other services to help people become employed and self-sufficient.

- ***Barre (VT)***: CVCAC is an agency whose mission for 35 years has been to "help low-income people who want to become economically self-sufficient" in the Central Valley of Vermont. CVCAC's IDA program focuses primarily on small business startup (rather than housing or education). As such, IDAs are a new approach for CVCAC to advance the organization's core mission.

D. Experiences of States with Non-Operational Programs

Our research for this project included a series of interviews with four states--Arizona, California, South Carolina, and Wisconsin--whose legislatures authorized the establishment of special-purpose accounts statewide for low-income households, but where such initiatives were never successfully implemented. In each state, we interviewed a key individual from the administering state agency and/or a representative from a nonprofit organization that

played a role in the initiative. The experience of these four states is instructive in terms of basic program design considerations.

In all four states, the passage of legislation to authorize special-purpose accounts came in the midst of major welfare reform initiatives, during the pre-1996 period when federally-funded cash assistance was still provided under the Aid to Families with Dependent Children (AFDC) program. The dates of legislative enactment were as follows: 1995 for Arizona (under its "EMPOWER" reforms); 1994 for California (under its "California Works" reforms); 1995 for South Carolina (under its "Family Independence Program"); and 1993 for Wisconsin (in a provision calling for "Special Resource Accounts").

Under these initiatives, low-income households were allowed to exclude from AFDC countable resources their deposits into special-purpose accounts, up to the following limits: $9,000 in Arizona; $5,000 in California; and $10,000 in both South Carolina and Wisconsin. Under differing provisions, each state also excluded from AFDC countable income some or all of the accountholder's deposits into these accounts. *In none of the programs was there any provision for matching funds.*

The states differed somewhat in the eligibility criteria for these initiatives. In Arizona, a participant needed to receive both AFDC and food stamps. (If an accountholder left either AFDC or food stamps, the account was closed.) In the other three states, a participant needed to receive AFDC.

The allowable account uses also differed among these states. For both Arizona and Wisconsin, the accounts were restricted to education and job training. In California and South Carolina, the allowable uses also included home purchase and business startup.

For each state, the level of participation was minimal. The number of accounts established was as follows: 18 in Arizona, 0 in California, 12 in South Carolina, and 17 in Wisconsin. Of the 18 accounts established in Arizona, 7 were among members of the Pascua Yaqui tribe. These accountholders were participants in the tribal JOBS program; incentive payments received from the tribe for their JOBS participation were deposited into their special-purpose account. Thus, the deposits were not from the accountholder's earned income.

Based on our interviews, it is clear that the absence of matching funds was for each state the major impediment to successful implementation and to wider adoption of its program. This is certainly not a surprising finding, in light of the experience of the 16 operational programs studied here. Nonetheless, it reflects something about the early expectations of state policymakers regarding such accounts. At the time of legislative enactment, the presumption was that such initiatives could succeed without an infusion of state matching dollars.

E. Uncertainty over Program Impacts

As noted above, IDA program staff are generally confident that their programs are achieving the desired *outcomes* among participants. That is, participants are indeed using their IDAs as a means to save and acquire assets, consistent with the objectives of these programs. For purposes of policy-making, an even more important question pertains to the *impacts* of these programs--i.e., do IDA participants engage in saving and asset accumulation beyond what would have occurred for these same individuals if they had not participated in an IDA program?

This descriptive study was never intended to answer this question of program impacts. In other research, however, Abt Associates is addressing this question.

In our experimental evaluation of the American Dream Demonstration (ADD) program in Tulsa, Oklahoma, we are collecting data from a sample of 1,100 individuals who were subject to random assignment. One-half of the sample cases were allowed to enter the program; the other half were assigned to a control group that is not allowed to participate. Baseline survey data were collected from all cases immediately prior to their random assignment. Follow-up data will be collected in two survey waves, conducted at 18 and 42 months following random assignment. The data will then be used to estimate the impacts of the Tulsa IDA program on participant savings, asset accumulation, and self-sufficiency. Findings based on the first and second survey waves will be reported in late 2001 and late 2003, respectively.

The other context in which experimental research will soon be conducted is with respect to programs funded under the federal Assets for Independence Act (AFIA). Abt Associates, along with the Center for Social Development of Washington University in St. Louis, is now planning the design of experimental data collection and analysis to be undertaken in at least one AFIA-funded site. As in the evaluation of the Tulsa ADD site, a research sample of randomly assigned treatment and control cases will be enrolled in the AFIA experimental site(s). Baseline and follow-up data will be collected as the basis for an impact analysis and benefit-cost analysis, with findings to be reported in early 2003.

An important issue to be addressed in these upcoming studies will be the extent to which the estimated impacts vary among participant subgroups at differing income levels. One finding of the current study is the tradeoff between targeting IDA programs on those most in need (i.e., the lowest income subpopulations) and the administrative requirements and costs of doing so. The upcoming experimental studies may indicate the extent to which the higher cost of serving those most in need appears warranted by evidence of greater IDA program impacts among such participants.

APPENDIX A:

REFERENCES

References

Baker, D. and H. Taylor. 1997. AInequality in Health and Health Service Use for Mothers of Young Children in South West England.@ *Journal of Epidemiology and Community Health 51*: 74-79.

Baum, T. and P. Kingston. 1984. AHomeownership and Social Attachment.@ *Sociological Perspectives 27*(2): 159-180.

Belcher, John R. 1994. AHow to Help the Working Poor Develop Assets.@ *Journal of Sociology and Social Welfare 21* (December): 57-74.

Beverly, Sondra. 1996. AHow Can the Poor Save? Theory and Evidence on Savings Behavior in Low-income Households.@ Draft paper. St. Louis: Center for Social Development, Washington University. November.

Boshara, Ray, Edward Scanlon, and Deborah Page-Adams. 1998. ABuilding Assets for Stronger Families, Better Neighborhoods, and Realizing the American Dream.@ Washington, DC: Corporation for Enterprise Development.

Bracher, M., G. Santow, J. Morgan, and J. Trussell. 1993. AMarital Dissolution in Australia: Models and Explanations.@ *Population Studies 47*(3): 403-425.

Buckhauser, R., B. Butrica, and M. Wasylenko. 1995. AMobility Patterns of Older Homeowners: Are Older Homeowners Trapped in Distressed Neighborhoods?@ *Research on Aging 17*(4): 363-384.

Butler, E. and E. Kaiser. 1971. APrediction of Residential Movement and Spatial Allocation.@ *Urban Affairs Quarterly 6*(4): 477-494.

Carney, Stacie, and William G. Gale. 1998. AAsset Accumulation among Low-Income Households.@ Draft of a paper prepared for a Ford Foundation conference on Benefits and Mechanisms for Spreading Asset Ownership in the United States, New York, December 10-12. November.

Cheng, L. 1995. *Asset Holding and Intergenerational Poverty Vulnerability in Female-Headed Families.* Paper presented at the Seventh International Conference of the Society for the Advancement of Socio-Economics, Washington, DC, April.

Cox, K. 1982. AHousing Tenure and Neighborhood Activism.@ *Urban Affairs Quarterly 18*(1): 107-129.

Ditkovsky, O. and W. van Vliet. 1984. AHousing Tenure and Community Participation.@ *Ekistics 307*: 345-348.

Essen, J., K. Fogelman, and J. Head. 1977. AChildhood Housing Experiences and School Attainment.@ *Child Care, Health and Development 4*: 41-58.
Finn, Cathleen M., Paz M-B. Zorita, and Claudia Coulton. 1994. AAssets and Financial Management Among Poor Households in Extreme Poverty Neighborhoods.@ *Journal of Sociology and Social Welfare 21* (December): 75-94.

Fischer, C., R. Jackson, C. Stueve, K. Gerson, and L. Jones. 1977. *Networks and Places: Social Relations in the Urban Setting.* New York: Free Press.

Fischer, C. 1982. *To Dwell among Friends: Personal Networks in Town and Country.* Chicago: University of Chicago Press.

Forrest, R. 1987. ASpatial Mobility, Tenure Mobility, and Emerging Social Divisions in the UK Housing Market.@ *Environment and Planning A 19*: 1611-1630.

Galligan, R. J. and S. J. Bahr. 1978. AEconomic Well-Being and Marital Stability: Implications for Income Maintenance Programs.@ *Journal of Marriage and the Family*: 283-290.

Galster, G. 1987. *Homeownership and Neighborhood Reinvestment.* Durham, NC: Duke University Press.

Galster, G. 1983. AEmpirical Evidence on Cross-Tenure Differences and Community Satisfaction.@ *Land Economics 59*: 107-113.

Goss, E. P. and J. M. Phillips. 1997. AThe Impact of Homeownership on the Duration of Unemployment.@ *The Review of Regional Studies 27*: 9-27.

Green, R. and M. White. 1997. AMeasuring the Benefits of Homeowning: Effects on Children.@ *Journal of Urban Economics 41*: 441-461.

Greene, V. and J. Ondrich. 1990. ARisk Factors for Nursing Home Admissions and Exits: A Discrete-Time Hazard Function Approach.@ *Journal of Gerontology 45*(6): S250-S258.

Guest, A. and R. Oropesa. 1986. AInformal Social Ties and Political Activity in the Metropolis.@ *Urban Affairs Quarterly 21*(4): 550-574.

Gyourko, J. and Linneman, P. 1993. AAffordability of the American Dream: An Examination of the Last 30 Years.@ *Journal of Housing Research 4*(1): 39-72.

Hahn, B. A. 1993. AMarital Status and Women's Health: The Effect of Economic Marital Acquisitions.@ *Journal of Marriage and the Family 55*: 495-504.

Hampton, R. L. 1982. AFamily Life Cycle, Economic Well-being and Marital Disruption in Black Families. *California Sociologist 5*: 16-32.

Henretta, J. 1984. AParental Status and Child's Homeownership.@ *American Sociological Review 49*: 131-140.

Hill, M. and G. Duncan. 1987. AParental Family Income and the Socioeconomic Attainment of Children.@ *Social Science Research 16*: 39-73.

Hubbard, R.G. et al. 1995. Precautionary Savings and Social Insurance. *Journal of Political Economy*. 103 (2), 360-399.

Hurst, Erik, Luoh, Ming Ching, Stafford, Frank. 1998. AThe Wealth Dynamics of American Families, 1984-1994.@*Brookings Papers on Economic Activity* 1:267-337.

Kane, T. J. 1994. ACollege Entry by Blacks since 1970: The Role of College Costs, Family Background, and the Returns to Education.@ *Journal of Political Economy 102*: 878-907.

Kingston, P. and Fries, J. 1994. Having a Stake in the System: The Socio-political Ramifications of Business and Homeownership.@ *Social Science Quarterly 75*(3): 679-686.

Mayer, N. 1981. ARehabilitation Decisions in Rental Housing.@ *Journal of Urban Economics 10*: 76-94.

Mayer, S. 1997. *What Money Can't Buy: Family Income and Children's Life Chances.* Cambridge: Harvard University Press.

McGarry, K. and R. F. Schoeni. 1995. ATransfer Behavior in the Health and Retirement Study.@ *The Journal of Human Resources, Supplement*: S184-S226.

McHugh, K. 1985. AReasons for Migrating or Not.@ *Sociology and Sociological Research 69*(4): 585-589.

Oliver, M., and T. Shapiro. 1995. *Black Wealth/White Wealth.* New York: Routledge.

Page-Adams, Deborah. 1995. *Homeownership and Marital Violence.* Doctoral dissertation, Washington University in St. Louis, George Warren Brown School of Social Work.

Page-Adams, Deborah, and Michael Sherraden. 1996. AWhat We Know about Effects of Asset Holding: Implications for Research on Asset-based Anti-Poverty Initiatives.@ Working paper 96-1. St. Louis: Center for Social Development, Washington University.

Page-Adams, Deborah, and Michael Sherraden. 1997. AAsset Building as a Community Revitalization Strategy.@ *Social Work* 42 (September): 423-34.

Page-Adams, Deborah, and Nancy Vosler. 1997. AHomeownership and Well-being among Blue-collar Workers.@ Working paper 97-5. St. Louis: Center for Social Development, Washington University.

Perkins, D., P. Florin, R. Rich, A. Wandersman, and D. Chavis. 1990. AParticipation and the Social and Physical Environment of Residential Blocks: Crime and Community Context.@ *American Journal of Community Psychology 18*: 83-115.

Petersen, R. 1980. ASocial Class, Social Learning, and Wife Abuse.@ *Social Service Review 54*: 390-406.

Pickvance, C.G. 1973. ALife Cycle, Housing Tenure, and Residential Mobility: A Path Analytic Approach.@ *Urban Studies 11*: 171-188.

Powers, E.T. 1994. ADoes Means Testing Discourage Savings? Evidence from the National Longitudinal Survey of Women.@ Unpublished manuscript, Federal Reserve Bank, Cleveland, Ohio. Cited in Hubbard (1995).

Pritchard, M., B. Myers, and D. Cassidy. 1989. AFactors Associate with Adolescent Saving and Spending Patterns.@ *Adolescence 24*: 711-723.

Pugh, H., C. Power, P. Goldblatt, and S. Arber. 1991. AWomen's Lung Cancer Mortality, Socio-economic Status and Changing Smoking Patterns.@ *Social Science and Medicine 32*(10): 1105-1110.

Quinn, Liz. 1993. AA Profile of the Asset Holdings of Food Stamp Participants and Nonparticipants.@ Report submitted to the U.S. Department of Agriculture, Food and Nutrition Service. Washington, DC: Mathematica Policy Research, Inc. February 10.

Robert, S. and J. House. 1996. ASES Differentials in Health by Age and Alternative Indicators of SES.@ *Journal of Aging and Health 8*: 359-388.

Rocha, C. J. 1997. AFactors that Contribute to Economic Well-being in Female-headed Households.@ *Journal of Social Service Research 23*: 1-17.

Rohe, W. and W. Stegman. 1994a. AThe Effects of Homeownership on the Self-Esteem, Perceived Control, and Life Satisfaction of Low-Income People.@ *Journal of the American Planning Association 60*(2): 173-184.

Rohe, W. and W. Stegman. 1994b. AThe Impact of Homeownership on the Social and Political Involvement of Low-Income People.@ *Urban Affairs Quarterly 30:* 28-50.

Rohe, W. and L. Stewart. 1996. AHomeownership and Neighborhood Stability.@ *Housing Policy Debate 7*(1): 37-81.

Rossi, P. and E. Weber. 1996. AThe Social Benefits of Homeownership: Empirical Evidence from National Surveys. *Housing policy Debate 7*: 11-35.

Scanlon, Edward. 1996. AHomeownership and Its Impacts: Implications for Housing Policy for Low-Income Families.@ Working paper 96-2. St. Louis: Center for Social Development, Washington University.

Scanlon, Edward, and Deborah Page-Adams. 1999. AEffects of Asset Holding on Neighborhoods, Families and Children: A Review of Research.@ In *Individual Development Account Program Design Handbook: A Step-by-Step Guide to Designing an IDA Program*, edited by Tim Flacke et al. IDA conference edition. Washington, DC: Corporation for Enterprise Development.

Sherraden, Michael. 1991. *Assets and the Poor: A New American Welfare Policy.* New York: M. E. Sharpe, Inc.

Sherraden, Michael, Deborah Page-Adams, and Gautam Yadama. 1995. AAssets and the Welfare State: Policies, Politics, and Research.@ *Research in Politics and Society* 5:241-268.

Sherraden, Michael, Deborah Page-Adams, and Lissa Johnson. 1999. AStart-up Evaluation Report: Downpayments on the American Dream Demonstration.@ St. Louis: Center for Social Development, Washington University. January.

Sherraden, Michael, et al. 2000. *Saving Patterns in IDA Programs*. St. Louis: Center for Social Development, Washington University.

Steinberger, P. 1981. APolitical Participation and Communality: A Cultural/Interpersonal Approach.@ *Rural Sociology 46*(1): 7-19.

Stronks, K., H. van de Mheen, J. van den Bos, and J. P. Mackenbach. 1997. AThe Interrelationship between Income, Health, and Employment.@ *International Journal of Epidemiology 26*: 592-600.

U.S. Department of Housing and Urban Development. 1995. *Urban Policy Brief, 2.* Washington, DC.

U.S. General Accounting Office. 1998. AStates' Policies are Shifting from Entitlement to Self-Sufficiency.@ Chapter 2 in *Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependency*. Publication GAO/HEHS-98-109. Washington, DC. June.

Varady, D. 1986. ANeighborhood Confidence: A Critical Factor in Neighborhood Revitalization?@ *Environment and Behavior* 18: 480-501.

Wemmerus, Nancy, Laura Castner, and Dan O'Connor. 1999. "Tables Describing the Asset and Vehicle Holdings of Food Stamp Participants, Nonparticipants, and Asset Ineligibles in 1994." Report submitted to the U.S. Department of Agriculture, Food and Nutrition Service. Washington, DC: Mathematica Policy Research, Inc., September 30.

Wolff, Edward. 1998. ARecent Trends in the Size Distribution of Household Wealth.@ *Journal of Economic Perspectives* 12: 131-150.

Yadama, Gautam N., and Michael Sherraden. 1995. AEffects of Assets on Attitudes and Behaviors: Advance Test of a Social Policy Proposal.@ Working paper 95-2. St. Louis: Center for Social Development, Washington University.