

Express IDAs: Take a Fast Ride to Success

Typically, an Individual Development Account (IDA) allows a participant to get financial education, save over two or more years, and have the savings matched over that time. Try compressing all of that into just one year. Foundation Communities, a Texas-based affordable housing and asset-building agency, first tried it only because a funder, Providian Financial, required it. Further, the only asset purchase could be a home, frequently the most difficult IDA goal for low-income families.

To meet the challenge, Foundation Communities [www.foundationcommunities.org] staff designed the Express IDA. It may not work for everyone, but some people are becoming homeowners through this fast-track IDA process. The Express IDA has also turned out to be one way to address a unique AFI challenge: expending match money before the AFI grant closes out.

The Express IDA

The Express IDA is fast, but it doesn't skimp or cut corners. It still includes financial education and more than the usual dose of home-buyer training and counseling. It requires participants to save for at least six months, a minimum of \$35 a month, and reach a minimum total of \$420 to receive a \$4 to \$1 match—netting \$2,100 ($\$420 + \420×4). Those reaching the minimum target before the end of the program must continue saving, though the additional amount is not matched. Karen Lyons, IDA coordinator for Foundation Communities, says, “We want them to get into the pattern of saving for at least a year.”

Enrollees begin with a tax workshop in January and end with their asset purchase in December. And there is no recovery if a saver goes off the rails for some reason. Participants must exit and cannot return if they miss just one of the five Money Management classes, five homeownership seminars or five additional units focused on the home-buying process. On the Express track, participants complete financial education and asset training in three to four months. Compare that to Foundation Communities' standard IDA model: financial training completed within the first six months and asset training over the next year or two. On the Express track, both are covered in three to four months. Express graduates have up to six months to purchase a home.

One result of this fast schedule and the strict enforcement is a slightly higher attrition compared to the regular AFI track, although two-thirds of the 30 enrollees in the first year completed the Express IDA, according to Lyons.

[Express Versus Standard: How the Participants Differ](#)

There are some differences between Express participants and those on the traditional AFI track at Foundation Communities. Both programs recruit tenants of Foundation Communities' 1,000 units of below-market rentals: 80 percent of these residents meet AFI income eligibility guidelines. But, says Lyons, “The majority of Express clients have a longer history of

employment and more professional positions. Some are teachers or state civil service employees.” Their credit scores are generally higher and reflect this stability. Express applicants must begin with a credit score of 620, whereas the standard track has no fixed threshold.

The demanding pace of learning and saving means that Lyons interviews Express applicants more closely, though there is no formal selection process. “You want to be sure they can do it, and are committed to it.”; Lyons acknowledges, however, “Sometimes people surprise you. You think they can’t do it, and they can.” One Express group was comprised exclusively of single mothers. Express participants do not differ in the amount of case management, in Lyons’s judgment; but, like everything else, it is packed into the shorter time frame.

If an Express participant cannot complete the course for some reason, there are no options for a different asset purchase. The short time frame requires this strictness. That is different than for regular AFI participants who, for example, may change their purchase goal if unable to reduce debt or repair their credit satisfactorily. Lyons estimates that about 25 percent of the regular AFI enrollees change their goals, usually after completing the financial education component, but sometimes after completing the basic home ownership class. In that class, Lyons emphasizes the distance participants may have to go to qualify for a mortgage. For example, exercises let participants calculate how much “more house” they might be able to handle with additional improvements in their credit picture. Further, Lyons notes, “Many don’t have the employment stability that lenders look for.” As of January 2005, asset purchases under Foundation Communities’ two previous AFI awards were split nearly evenly between homes, on the one hand, and education and business on the other, with the number choosing education increasing rapidly.



Express Is Not for Everyone

Foundation Communities has been using the Express IDA for three years now, even though the original funder ultimately did not require full expenditure of its grants within one year. So, if the Express IDA works so well, why not offer it as a track for all Foundation Communities IDA enrollees? After serious consideration, staff decided to keep the two tracks separate. The abbreviated time line of the Express IDA would work against successful completion for many participants enrolled under the three-year AFI model. Lyons says, “So many have credit issues and can benefit from working on credit and building savings over a longer period.” In addition, the traditional IDA model permits saving up to \$600 a year for three years, with a \$2 to \$1 match, for a total of \$5,400, compared to the Express total of \$2,100. There are also staffing limitations to the Express IDA program. Finally, having consistency in the program design is generally easier for candidates and participants to understand and for staff to explain.

Express as a Close-out Tool

In addition to benefits to participants, the Express IDA has also been useful as an AFI close-out tool for Foundation Communities. In 2004, they were in an unexpected position: they had used all 100 of the planned account slots on their 1999 award, but graduating participants had not exhausted the entire match pool of the 1999 AFI award. Remaining funds had to be spent as quickly as possible, while still adhering to AFI guidelines. Lyons turned to the now-proven Express IDA to allow additional accountholders to secure all the benefits of the IDA: financial education, asset training, and asset purchase. Most of these transfers to the Express, she says, are using the education option, a new feature they can now choose.

Despite these challenges, Lyons believes that Express graduates will demonstrate as much asset retention and ability to build on their asset as graduates of the more traditional AFI model. Other AFI grantees might consider whether a similar track might work for them.

