

Linking IDAs to Multiple Asset-Building Strategies through EITC Initiatives

In 1999, The Center for Women and Families (CWF) began to build on an Economic Success Program that, historically, had focused on employment services for women who were victims of violence and multigenerational poverty. The Center received an Assets for Independence (AFI) award to offer an asset-acquisition savings option, under the name Common Wealth IDA. An intermediary goal of the five-year IDA project was to provide individual development accounts for a minimum of 50 individuals to purchase homes, start or expand microenterprises, or enroll in postsecondary education. Long-term goals included:

- Illustrating the value of asset building as a way to reduce and eliminate poverty
- Encouraging self-sufficiency among clients of program partners and referral partners
- Teaching and supporting financial literacy
- Encouraging home ownership in the City of Louisville and surrounding counties.

Though the initial five-year demonstration has concluded successfully, the IDA project continues as a collaborative among the Louisville Metro Housing Authority, The Center for Women and Families [<http://www.thecenteronline.org/index.php>], and Republic Bank. Collaborative representatives continue to serve on an advisory committee to evaluate the program's impact on the community. IDAs also are now embedded in a broader menu of asset-building strategies implemented by the Louisville Asset Building Coalition.

The Louisville Asset-Building Coalition

In 2001, the Louisville Asset Building Coalition—a collaborative of more than 60 partners—emerged to create and coordinate additional opportunities for poor and working-poor individuals and families. The LABC fosters a “seamless” connection of community wealth-building initiatives by using free tax preparation sites as the conduit to other economic services. Members promote the tax refund as the asset from which to develop further financial security. The Coalition is one of several Annie E. Casey Foundation's *Making Connections* initiatives around the country.

The Coalition and its members recognized the limitations of IDAs as the sole means of developing wealth or acquiring assets, introduced new concepts into the service framework, and leveraged support from other partners. Initially, the purpose was to provide opportunities to low-to moderate-income families not eligible for IDAs but ready for other financial direction. As the process developed, the Coalition created an economic foundation that allows more Louisville residents to reach their highest potential.

The keystone in the foundation is Federal and state volunteer income tax preparation services (VITA) to help filers maximize their potential benefit from the Earned Income Tax Credit and other refunds for which they are eligible. Over time, the Coalition has enhanced the VITA effort by offering other, coordinated financial services. Several strategies support the effort.

[Getting the Word Out](#)

One of the most innovative strategies has been fielding LABC Ambassadors. The Ambassadors, all of whom have used VITA services, spread the word about free tax preparation and other asset-development opportunities. In 2004, 15 LABC Ambassadors reached 4,755 individuals. They refer individuals and families to financial literacy training and share their own experiences with the VITA sites. Ambassadors receive a small stipend for their outreach and for data collection to track community interest and participation. In 2005, their role expanded to identify participants for long-term research on economic stability and financial progress related to LABC initiatives.

Other creative outreach efforts complement the work of the Ambassadors. The first VITA campaign launched with a unique marketing ploy—ads that topped Papa John’s Pizza and Kentucky Fried Chicken trays and drive-thru bags. Another strategy is to offer multiple VITA sites—currently there are 15. One of these is mobile, a bus that brings services to the people who need them.

Cumulatively, in 2004, The Center for Women and Families referred 1,180 clients to LABC partner organizations for services, distributed 125,000 brochures, arranged EITC signage for 30 city buses and 10 bus shelters, partnered with Greater Louisville Inc., to include EITC payroll stuffers to members’ employees, distributed 500 posters, maintained the LABC website and coordinated EITC outreach through numerous corporate, television, radio and newspaper outlets.

[Coordinating IDAs with Tax Services and Other Financial Opportunities](#)

Individuals and families who use the Coalition’s tax services also have opportunities to learn more about their personal finances by being linked to financial counseling; credit counseling;



mainstream banking; IDA savings programs; homeownership counseling; predatory lending information; and job readiness, advocacy, and financial literacy services. Counselors encourage them to use their refunds to purchase assets, resolve debt, or save. Financial education has become fundamental in addressing intergenerational poverty, homeownership disparities, asset acquisition, and financial self-sufficiency, and in promoting economic growth in the community. There are three key areas where financial education and services have immediate impact:

- **Increased income for asset purchases:** Low- to moderate-income individuals and families have increased “income” as a direct result of free tax preparation to maximize refunds that they can invest in a matched savings program geared toward asset acquisition and personal financial management. They are able to multiply the value of their already sizeable return. While not all filers are appropriate for the IDA project, all VITA site filers receive timely information about a range of opportunities in the community that can help them set and reach financial goals, including asset ownership.
- **Influence on Financial Management:** Financial education influences how individuals spend, save, and manage their finances. By confronting myths and realities, IDA counselors, financial counselors, and Ambassadors educate participants about personal financial management, banking, savings programs, predatory lending, and home and other asset-acquisition options, and their long-term benefits. The knowledge empowers individuals to make informed financial decisions that improve their personal financial status and, collectively, grow community wealth.
- **Comprehensive Services through Collaboration:** Numerous community partners are vested in this effort, which multiplies the pathways to financial information. The local coalition includes banks and other lenders, individuals, social service agencies, and businesses. BankOne provides funding, along with Metro United Way, private foundations, individuals, and Federal agencies (for IDA savings matches and for employment services).

[Financial Impact of VITA and EITC](#)

The immediate financial impact of the Louisville Asset-Building Coalition has been substantial, even excluding the savings associated with not paying commercial preparers. The first year, refunds totaled over \$800,000 for Federal and state returns, of which over \$410,000 was EITC. By the 2005 filing season, 15 sites produced tax refunds exceeding \$5.7 million dollars, with EITC representing approximately \$2.1 million.



Other Asset-Building Results

Many of the strategies and partnerships that supported the quadrupling of EITC refunds and VITA sites in 2005 also connected families to other services that lead to more financial stability or self-sufficiency. For example:

- Since 1999, 101 participants have used \$80,064 (average of \$793) in refunds for IDAs, debt reduction, and savings. For three families, their EITC put them over the top for their savings goals and enabled home purchase.
- Since 2001, LABC partner organizations, led by Members First Federal Credit Union, collectively have referred 240 clients to the CWIDA applicant list and 65 clients for housing counseling, opened 284 new bank accounts, and conducted 326 workshops for 5,423 individuals.
- Beginning in the 2002 filing season, Metro Louisville endorsed the LABC effort by putting the Mayor's image on outreach materials and assigning a staff person to work with the core planning group.

Steps for Project Replication

Organizations that would like to create asset-building coalitions in their communities or link their AFI project with other asset-building initiatives could consider the following points in their planning:

- 1) Identify the need for asset development in your community. Target neighborhoods of greatest need.
- 2) Identify agencies and organizations already engaged in asset building and others interested in partnering to provide financial education and asset-development opportunities to the community.
- 3) Establish a core planning group of partners to organize specific operational components, such as developing the tax preparation sites, volunteer recruitment and training, financial education workshops, and ways to introduce mainstream banking and financial services.
- 4) Develop referral networks among partners and with the VITA sites.
- 5) Identify as "ambassadors" current program participants interested in promoting free tax preparation and asset-development opportunities with their own success stories.
- 6) Engage public and private community leaders to promote asset development as a benefit to the whole community.



- 7) Connect with business leaders in the community willing to support asset development by providing EITC and VITA information to their employees and clients.
- 8) Continue to collaborate with partners and welcome new partners interested in strengthening the community through asset-development initiatives.

LABC's successes led to quick endorsement by the newly merged Metro Louisville Government and to local government funding. The LABC VITA site model was later introduced into rural Kentucky counties and expanded within Jefferson County. This model also allowed the Center for Women and Families to extend its circle of influence, while addressing a gap created between the IDA program and the potential of many other low-income families. Furthermore, the model produced tangible outcomes and promising indicators for continued success.

Continued Growth of the Louisville Asset Building Coalition

In 2005, LABC's fourth year of operation, multiple funders, including the Annie E. Casey Foundation, the CE & S Foundation, Bank One, and others, supported several enhancements to increase the reach and net impact of the Louisville Asset Building Coalition. They included the following:

- Operating financial literacy education programs year-round.
- Increasing the number of VITA sites, returns prepared, and Federal and state refund dollars claimed.
- Targeting faith-based groups for engagement in the effort to link tax filers with services.
- Increasing the number of individuals who access a full continuum of financial services designed to increase wealth and successful, personal financial management.
- Targeting specific neighborhoods, including some of the most impoverished, diverse, and under-represented areas of the community.
- Continuing development of a professional infrastructure to manage volunteers, as many as 130 in 2005.
- Aiming for a direct impact on approximately 7,700 individuals and on an even greater, undetermined, number of children.

LABC efforts are linked to broader, more comprehensive strategies that address the welfare of children, strengthen families, and improve family stability. The LABC infrastructure has, at its core, asset building as a fundamental component of personal financial stability.

