Individual Development Accounts:
A Report to the Field

Connecting Policy to Practice

Economic Opportunities Program

Funded by The Annie E. Casey Foundation and the C.S. Mott Foundation

Cathie Mahon, Kirsten Moy and Melissa Koide

With the assistance of

Britton Walker

April 2005

Section I: Executive Summary

Background

The Aspen Institute's Economic Opportunities Program (EOP) conducted a study of the current state and next directions of the IDA field for the Annie E. Casey and Charles Stewart Mott Foundation between 2003 and 2004. The initial paper *Individual Development Accounts: How to move from a program for thousands to a product for millions* was released in November 2003. This first paper was the result of a scan of leaders, researchers and support organizations in the IDA field to surface the perspectives on the state of the field, visions of the future and perceived challenges to the evolution of the field over time.

This second paper focuses on better connecting policy to practice in operating IDA programs in an uncertain policy environment. For the past several years, national leaders in the IDA field have sought to expand ongoing sources of matching funds through two key legislative vehicles: the passage of a federal tax credit for financial institutions to provide matching funds and administer accounts; and the reauthorization of the Assets for Independence program, a federal demonstration providing matching funds through non-profit programs.

The effort to pass the Savings for Working Families Act progressed slowly as a result of the legislative process. AFI had been authorized in 1998, was amended in December 2000 but more substantial efforts to improve and make it more flexible have been stymied. Without any other major policy initiatives, a certain wait-and-see mentality took root in the field. This mentality has posed a challenge for planning strategically at both the organization and at the field level.

In this study, EOP was charged with two principal tasks: to study how IDA practitioners plan for the future in an uncertain policy environment and to explore a map of the field as it currently functions.

The paper is divided into two separate sections: scenario planning (under different policy outcomes) and an exercise in mapping the field. These two separate and discrete tasks have enabled us to draw some overall findings on both how the policy environment may affect planning the operations of IDA programs and how practice may better be incorporated into policy development.

Research Questions

Based upon the initial paper and subsequent response from several field leaders, EOP decided to focus its second phase of research in two areas:

- **Scenario planning.** In order to move from the wait-and-see mode toward a planning for the future mode, the Aspen IDA research team researched how practitioners, financial institutions and support organizations will respond to different policy scenarios. EOP conducted a scenario planning process with practitioners, financial institutions and support or resource organizations presenting different possible policy outcomes and leading discussions on how each outcome would affect these organizations. Aspen EOP held focus groups in New York, New Orleans, Baltimore, Los Angeles and Lansing, Michigan, involving 87 people from 58 IDA practitioner organizations and conducted interviews with 9 financial institutions.

- **Field mapping.** Thriving industries develop infrastructure: a network of mechanisms that provide support, access to information, cost-reducing services and/or access to capital to support growth. There was an identified need to map the IDA field to identify what would be needed based upon new directions and to help discern the types of activities and players best suited to support those directions. The field mapping will ideally reduce duplication of effort, identify those organizations or individuals best equipped to take on different directions and identify gaps and greater need for infrastructure and capacity-building.

Key Findings

1. Despite an uncertain policy environment, most practitioners are planning for the near-term future as if Assets for Independence is the primary federal policy for the field.

Despite the uncertain policy outcomes, fewer practitioners than may be expected expressed an expectation of departing the field. Many more indicated plans to continue to move their IDA forward as if policy continues with Assets for Independence as the primary source of matching funds.

If AFI is reauthorized with no further federal legislation, many identified the need for more matching fund support at the state and local levels. Others discussed bringing the IDA more closely into other agency programs or to seek matching funds under other asset-building or financial education initiatives. Regardless of the approach of the IDA program, more must be done to address the question of operational efficiency, specifically, improving and streamlining the delivery system, establishing more efficient account management, and improved delivery of education and counseling.

In the event that AFI loses funding, most practitioners plan to seek state and local support and/or integrate the IDA more strategically with existing matched savings programs such as First Home Clubs delivered through federal home loan banks and/or more strategic use of down payment assistance programs at the local level.

Practitioners did not seem stuck by the uncertainty of passage for Savings for Working Families Act largely because few had been preparing for it. Thus, the failure for this legislation to pass would not present dramatic shifts in strategic plans or directions. If SWFA were to pass, resources would be wisely directed toward helping the nonprofits define and establish a role for themselves in the new delivery system. This would include building their capacity to be effective and credible partners for financial institutions, making their infrastructure more sophisticated, improving technology and ensuring there is clearly value added by their activities. However, for longer-term planning many believe that new policy initiatives are needed.

2. **Without new or improved IDA policy, market information or new developments in standardizing the IDA, financial institutions are likely to maintain the status quo, small scale IDA activity.**

   Financial institutions are likely to continue their IDA activity on a small scale absent strong policy, practice or research developments to spur them to expand their IDA engagement. For most institutions, this means continuing to hold a small number of IDAs; providing some financial support for IDA programs as matching or operating funds; providing some staff support to facilitate the IDAs within the institution and teach financial education to accountholders; and sometimes financing the IDA asset purchases. Some financial institutions reported scaling back their IDA activities altogether, while a few others have taken steps to explore the business potential of IDAs. And some are exploring new asset-building initiatives for children, such as Children's Savings Accounts (CSAs). Most financial institutions are conducting their IDA activities on the community development side of the operation, and some have begun to couple their IDA activity with other asset-building programs, such as the Federal Home Loan Bank program.

   New IDA policy or improvements to existing policy could serve as the impetus to move institutions to expand their IDA engagement. Institutions report that passage of SWFA could be the driver, depending upon how key aspects of the legislation are defined in the regulations, however, most are taking a wait and see approach. With respect to other IDA policy, greater flexibility in terms of the rules governing the Assets for Independence Act, such as the use of nonfederal match funds, could also generate more IDA activity among institutions.

   A greater understanding of the market potential of IDA accountholders as banking customers could also increase IDA engagement among institutions. Currently, little research has been conducted on the potential of accountholders as bank customers and little effort has been made to secure accountholders as banking customers at participating institutions. Furthermore, there is limited understanding of the practical steps necessary to move IDA accountholders into the bank-customer relationship, and in great part, this is due to the limitations imposed by the rules governing IDAs. Beyond the IDA itself, anecdotal information indicates accountholders typically remain outside traditional bank-customer relationship. Research illustrating the market potential of accountholders as full banking clients will be essential to greater IDA engagement by financial institutions.

Finally, all financial institutions report that standardization of the IDA, as a financial product will be essential for larger scale IDA activity. Through standardization, labor, technology, and administrative costs will decrease while the number of IDAs will increase significantly. Greater standardization will improve efficiencies and provide an impetus for the institution to promote the IDA, as a product, more broadly.

3. **The experience with policy formulation reveals significant fault lines in the IDA field with lessons for future policy development.**

   Over the past five years, the Savings for Working Families Act became the primary vehicle for pursuing greater scale. However, many in the IDA field struggled with whether and how to adapt to the SWFA environment without having sufficient understanding of how financial institutions would develop the accounts. This contributed to the lack of an impassioned constituency for the legislation among the existing practitioner base. This lack of impassioned response to SWFA was not driven solely by organizational interest, although that may have been a factor, but rather, by concerns regarding how the tax credit would meet the needs of those with greater needs that IDAs have come to serve.

   Efforts to move this legislation as the means of achieving scale resulted in an "all the eggs in one basket" dilemma for the field. The fact that the legislation failed to take root with practitioners in part is reflective of people's impressions about the bill itself and the process through which it was formulated. While many of the bill's writers took steps to include feedback and input that practitioners offered at conferences, forums, and on the Internet, ultimately – because the legislation would place implementation with financial institutions – practitioners were challenged to define their roles with any certainty.

   Many practitioners felt they had more to offer in terms of creativity and experience when developing new policy or framing a policy agenda than had been sought, resulting in the perception of policy development as somewhat top-down in the field. Some ideas offered during the discussions were: an additional refundable "savers" tax credit, health savings accounts, national financial education initiatives. Despite an inability to define roles under these specific policy ideas, the ideas were nonetheless enthusiastically discussed.

   The periodic discussions at the funder and intermediary level about governance acknowledge the need for more established feedback loops. The response from practitioners reinforces how critical a need there is for a trade association or organization accountable to practitioners.

4. **In moving from the scenario planning to the mapping of the IDA field, we found the fault lines may result from two parallel systems that operate concurrently but with limited intersection.**

These two systems are made up of policy, research and field support organizations as one system and the IDA delivery as a separate system (see field map). The two systems are distinct and fairly detached with only ephemeral connections through periodic communications via a listserv, training forums and newsletters. One of the major opportunities for these systems to intersect had long been the annual learning conference where practitioners, policy groups, support organizations, intermediaries, financial institutions and funders all came together to share information, network and build a field-wide consensus. The anxiety resulting from the disruption of the annual learning conference demonstrated how valuable an event people found it. Concrete steps must be taken to enable more opportunities for intersection and interaction. A thorough analysis is needed of how resources flow within and among these systems. In general, many have felt that a large amount of resources from national foundations have been placed into the policy development system not the delivery system. Some organizations feel over studied with few tangible benefits for the field. Research may be the obvious opportunity for intersection between the systems but it needs to be re-tooled toward greater emphasis on enhancing the delivery system for the field.

5. **Given limited resources, foundations need to direct resources to the most likely outcomes of existing scenarios as well as toward collaborative policy development.**

IDA funding should be targeted toward preparing the field for the most likely outcome (AFI reauthorization) in the short-term as the field-wide organizations begin developing new policy options. The continuation of the current policy scenario will result in some groups exiting the field, but the majority of groups with whom we spoke plan to proceed either with IDAs as their single focus (a relatively small group) or with an IDA integrated into other program activities.

Focusing on the AFI scenario, the field would benefit from efforts to ease AFI restrictions, particularly regarding the use of the nonfederal match funds Easing the ability to utilize multiple IDA programs and asset-building resources would go a long way to improve the effectiveness and scalability of IDAs under the as-is scenario.

More funding under this scenario should be targeted to improving the IDA delivery. For instance, organizations cite challenges handling data management and account administration functions and delivering financial education and support efficiently. New efforts, such as the outsourcing of account management functions, online education pilots, and greater triage (market segmentation) for determining savers with greater need for support offer the opportunity to create better systems around key programmatic functions in a cost-effective manner.

Given limited resources, foundation support for improved service delivery in diverse types of IDA programs will yield greater prospects for a future IDA prototype. Funding for policy development with a more collaborative approach and bridges to parallel systems may prove more fruitful by further drawing upon the experiences from a field that is more than a decade old.

Section II. Scenario Planning

A. Scenario I: AFI Continues with no additional legislation

In the absence of major new policy, there will be a shift in the field to greater concentration of IDA activities in fewer organizations. The revival of IDA learning conferences injected new energy and enthusiasm. With the prospects strong for the reauthorization of AFI, many believe that they will be able to maintain some level of IDA activity under this scenario. While only a few cited plans to leave the field immediately, several indicated that if the funding environment remains tight they may consider departing the field in future years.

Financial institutions overall seem to anticipate maintaining status quo on their IDA activity if there are no new policy changes. A number of financial institutions interviewed currently hold accounts, but are not – and wouldn't intend to – proactively engage in more overt IDA activity. Others, some of whom had been involved in IDAs since the beginning, have scaled back their IDA activity almost completely. A few institutions have engaged in some level of data collection and analysis of their IDA activity to make the business case for IDAs and bring IDA activity to the business side of the bank. Many financial institutions, however, have not studied the IDA as a marketable product within the institution. Its perceived lack of profitability is due to high costs, low balances, poor cross-selling opportunities, and the availability of other programs that achieve asset-building goals in what appear to be more direct, cost-efficient ways.

1. Key Findings under AFI scenario

- In the absence of major new policy, organizations are signaling that there will be a shift in the field in the next few years resulting in a greater concentration of IDA activities. Some plan to leave the field entirely, many plan to continue at low levels of activity integrating it more into other agency efforts, while a few organizations plan to pursue IDAs as growth opportunity. The projected result is that far fewer organizations will be delivering the majority of accounts and IDA activity (up to 80 percent in one estimate).

- Financial institutions are likely to segment accordingly, with only a few viewing IDAs as a growth area absent additional legislation. Of those choosing to focus on IDAs, the critical next step is standardization of the product. Those taking the lead are beginning to look more broadly at "asset accounts" which would include children's savings accounts, and other asset-building products and initiatives.

- It will be critical to the survival and growth of the field to improve the model. In addition to commonly cited adaptations -- greater market segmentation, greater standardization, streamlined processes, and tailoring of support services to participant needs -- it will be incumbent upon programs to move beyond the current account structure developed with financial institutions. Financial institutions question the profitability of these accounts and are unlikely to be vehicles for achieving scale under an as-is scenario. Growth under the as-is scenario may be predicated upon achieving greater economies of scale in account management systems.

2. *Impact of Continued AFI Scenario on Structure of the IDA Field*

Under this scenario, two distinct approaches to the IDA have emerged:

- Single focus approach - organizations with IDA and asset accounts as their core business activity.
- Integrationist approach - organizations using the IDA as one tool among many to build wealth and assets.

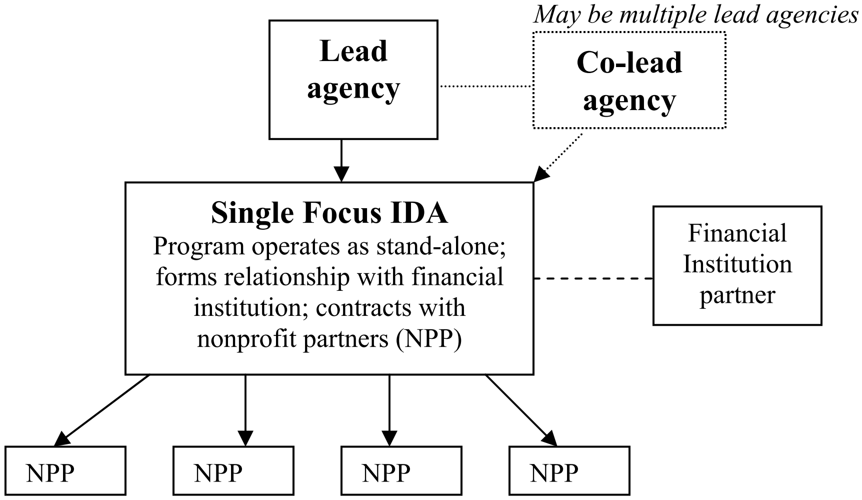
The groups using the single-focus approach account for a small percentage of the institutions running IDA programs, but deliver a larger portion of the account activity.

a. The Single-Focus Approach

Those approaching IDAs as a core business activity have a greater urgency for increasing efficiency because their future is more dependent upon increasing the number of IDAs and asset accountholders. The challenges for these institutions are to improve and perfect the model and to move IDAs to the next stage of delivery, to continue to show progress to their funders and to develop and promote policy that provides future matching fund sources. Thus, these groups are often identified as the innovators and leaders in the field. They have led the field-wide push for greater innovation and process improvement in operations that enhance prospects of achieving scale in operations, and are more focused on tracking and disseminating results and share their learnings throughout the field. Two leading examples, San Francisco EARN and the Assets for All Alliance, have a primary focus on IDA promotion, have invested time and resources in streamlining and improving processes, and have disseminated learnings and models with the broader field. Other examples, such as the United Way of King County and the Louisiana Collaborative, have invested in adapting MIS systems for improved service delivery, sharing their systems with the field.

IDA Collaboratives generally tend to be single-focus programs and to be more growth-oriented. They have a singular focus on IDA development and have been able to marshal and pool resources to enhance sustainability and sub-contract duties and functions with participating agencies. It's important to note that while Collaboratives themselves fall into this single focus category, many of their participating agencies do not. Most of the Collaboratives studied here work with partner agencies for which the IDA may be a small part of their overall organizational activities. The participating agencies are generally funded to perform certain functions: recruiting, supporting, counseling and educating the participants, while the Collaborative consolidates back-office functions such as account management, database management, reporting and fundraising. The Collaborative retains a high level of oversight and quality control over the partner agencies and serves as a convener to address issues and challenges.

Diagram 1: Single-Focus Approach



** Non-profit partners (NPP) provide marketing, recruitment, education, counseling and other support. NPPs generally engage in multiple other asset-building or other service-related activities.*

For the most part, these single focus IDAs have greater stability in funding sources, either because of their aggressive fundraising efforts, the results they have produced, or their placement within broader agencies such as United Way programs or in Casey-funded Making Connections sites. These groups are therefore challenged to plan proactively for growth and scale. The Michigan IDA Collaborative has benefited from commitment and support from the State government and its Director actively pursues multiple bills that will continue to fund the IDA match. With this high level of support and buy-in from funders and government agencies, it becomes critical that the program demonstrate increasing results with reductions in cost for delivery.

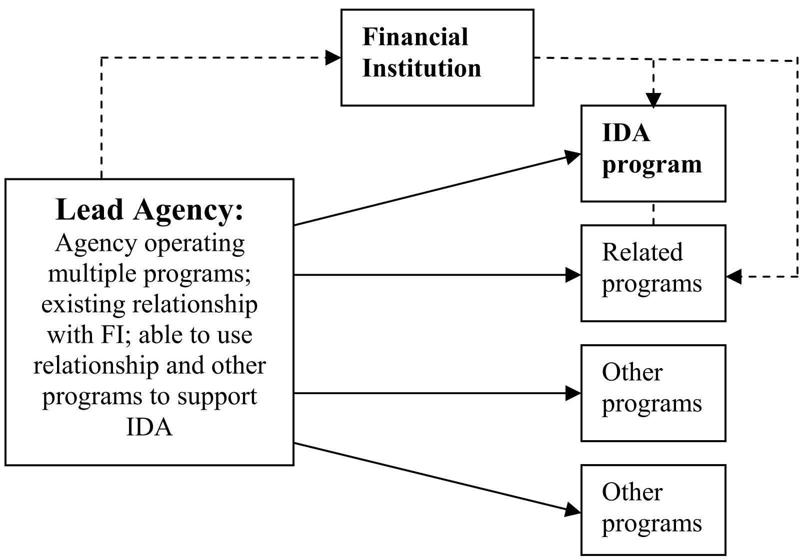
b. The Integrationist Approach

Programs pursuing a more *integrationist approach* are less understood or studied in the IDA field. In this approach, programs generally operate within larger agencies with a broader social mission, in which the IDA is viewed as one tool among many. These programs are often overlooked because they do not tend to achieve the scale or size that the single focus programs seek (with some exceptions). However, this is not to suggest that they are therefore not innovative in their approaches. In fact, many of these organizations have achieved significant results from their IDA programs and all told may have had a broader national-level impact on the incorporation of asset-building into other anti-poverty and social services interventions.

For example, the Fifth Avenue Committee in Brooklyn uses the IDA to meet objectives in their workforce development efforts. This agency established its IDA program to match the savings of people seeking to qualify for a trucker's license, a major goal of their workforce training program. The IDA and match helped many to attain the post-secondary courses required to obtain a license. By obtaining this license, low-wage workers can increase their incomes. The IDA is ideally suited to move people through workforce development goals, assist them to save the funds they need and move on to a better job. In this case, financial education (the sacred cow of many IDA programs) is important, but seen as secondary to getting to the higher-paying job.

While they tend to be smaller than single focus programs, some, such as the New York Association for New Americans (NYANA), have achieved large scale IDA delivery. In this case, funding was provided through the Office of Refugee Resettlement (ORR), which had far greater flexibility than AFI. NYANA reached 796 IDA accountholders with more than 601 attaining asset ownership by September 30, 2004. This program scale occurred in the midst of a larger organization dedicated to providing a range of services for a specific targeted population -- newly arrived refugees. This large and very successful program thrust NYANA into the spotlight as a model for agencies offering IDAs within a much broader operation with multiple supporting programs.

Diagram 2: Integration with other agency activities



**Examples of related programs include: workforce development, housing and homeownership education, micro-enterprise and financial education. Financial institution partners may also be connected to other agency programs such as homeownership education (providing incentive to manage IDA accounts).*

The movement towards integration also stems from the evolution of the IDA field. As IDA resources have waned, many IDA programs and financial institutions began to couple their IDA programs with other asset-building programs. For instance, a number of financial institutions are melding their IDAs with Federal Home Loan Bank programs and existing financial education programs. Others are piggybacking their IDAs on a variety of other programs such as homeownership, education and tax preparation assistance.

While some programs have begun folding their IDAs into other activities. Others are broadening their IDA uses. United Way of Los Angeles launched a major IDA initiative with the goal of moving low-income residents into homeownership and supporting microenterprise and informal sector businesses. Skyrocketing housing costs throughout

Southern California have encouraged them to open their third funding round to education IDAs as well.

As experience with IDAs evolves, a few of the community development financial institutions are narrowing their IDA activity to perform aspects of the IDA program for which they are best suited. Both Shorebank's Neighborhood Institute and Alternatives Federal Credit Union (FCU) offer financial education for other IDA programs. Alternatives FCU opened its financial education to other members of the community, with an emphasis on diverse economic backgrounds. Shorebank is developing a more individualized asset-building program that provides the12-week course on financial education only for those who need it.

Some financial institutions are looking to integrate their IDA activity into other asset-building programs, or they are developing asset-building products for lower-income customers because they have been unable to offer IDAs on a larger scale, cover costs, and track IDA activity. Financial institutions are looking for new ways to reach a more general population and financial education is an especially prominent program they have developed. Other products for lower-income customers include programs to assist people negatively affected by the ChexSystems to regain an opportunity for checking accounts, offering of electronic checking accounts, debit cards, savings accounts and a variety of mortgage products.

3. Challenges for the field

The different approaches demonstrate how organizations running IDA programs plan to remain sustainable, some at larger scale than others. Regardless of the approach, their greatest common challenge to the IDA field under an as-is scenario is to improve the model to be a more cost-effective and flexible tool. IDAs remain a cumbersome product, costly to deliver and frequently too rigid in its treatment of accountholders resulting in attrition and lower levels of participation than anticipated.

To address this, the IDA must be adapted not only in how the nonprofit organizations implement the program components but also in how the accounts are administered.

- *Streamlining Program Delivery*: It has frequently been noted that practitioners must show greater flexibility with the IDA and avoid "getting stuck in the model." These lessons have begun taking root as more programs are experimenting with fast-track IDAs and matching the level of education and counseling to the particular needs of the individuals.

- *Improving Account Management*: Finding an easy, efficient means of managing accounts is essential to the viability of the IDA. Both practitioners and financial institutions acknowledge the account management is problematic, forcing many practitioners to duplicate efforts and generate dual statements.

a. Streamlining Program Delivery

There is a generally accepted notion that program delivery must be streamlined and more effectively tailored to accountholders needs. All IDA programs will need to become better at targeting services appropriate for populations served, reducing hurdles in the programs for both participants and agencies, and integrating technology and information more smoothly to accommodate greater numbers. While it is clearly a need for those with the single focus approach, it is a challenge for those integrating the IDA into a broader agency. Their challenge may be to distinguish the IDA from other important programs and services to the agency. The IDA Coordinator from Neighborhood Housing Services of New York described the challenge of competing with the agency's other programs, such as down payment and closing cost assistance, which are frequently less intensive and easier to deliver. Key areas identified are:

- **Segment markets** and identify IDA accountholders to align packages of services with client need (eliminating unnecessary support services). This includes a more refined process of underwriting (pre-screening) of IDA accountholders to identify the prospects for success and when additional services are necessary.
- **Tailor support services to accountholder needs**. Limit "case management" to those accountholders in need with clear criteria (pre-screened determination, multiple missed savings payments, irregularities in account, etc.). Strategic intervention is essential to success; however, to date, extensive managing of accountholders has impeded the IDA.
- **Providing flexible and quality financial education** to focus on core competencies rather than classroom time and utilizing multiple methods of delivery (including web-based training). Increasing access to counseling, education and information for accountholders (call centers, internet) can increase participants and reduce attrition. Greater training and professional development for financial education instructors and or counselors will enable more tailored classes to the competency level of participants.
- **Reducing data collection and reporting needs** to only the most essential data points. The IDA field has moved beyond a pilot phase and therefore data collection needs should decrease. Extra reporting required by multiple funders increases the costs of delivering the program.
- **Establish tighter linkages** to other financial products and services that may enhance participation and retention (e.g., emergency loan, debt consolidation and credit builder loan products).

b. Improving Account Management

Possibly the greatest obstacle to efficient IDA delivery results from duplicate account management functions between the financial institution and the IDA program staff. Much has been made of the form in which account information is provided to the IDA program from the financial institution. With electronic access to information increasing, more programs are able to access account information more readily but continue to re-enter data into their own data management systems.

This challenge does not appear likely to change under the as-is scenario because the IDAs sit on the community development side of the financial institution and are generally not considered profitable activity. The costs associated with IDAs are too large and the volume too low to overcome without a large private or public stimulus. In fact, one banker interviewed for the survey admits to running his IDA work "under the radar screen" of the bank. As the banks become more results-driven and personnel and branches are monitored based upon their outputs, the IDA simply does not produce the results. The low volume does not justify investment in a standard product rolled out throughout the institution. Without such a standard product, the IDA programs have relied upon a chaotic and frustrating system where information does not interface easily between partners resulting in inefficiencies.

IDA programs may never reach sufficient numbers to meet the business interests of the financial institutions. Operating "under the radar screen" relies more on trading in on personal relationships either with officials with influence within the financial institution or on the broader agency's collective business value to the financial institution. In addition to the inefficiencies of these customized programs, the nonprofit (or officials) may actually expend their political capital diminishing their "preferred client" stature or their ability to generate new programs with the financial institution.

Some financial institution officials feel that to significantly increase the number of IDAs, a business case is necessary to move the IDAs from the community development side to the business side of the institution. Once on the business side, new resources, such as product development, marketing, retail and technology/infrastructure specialists, would be engaged to develop and promote the IDA. To establish the business case for IDAs, either new data is needed to demonstrate the market potential of these multiple small accountholders as future customers and a steady and consistent flow of matching funds will be needed.

The framing of profitability in retail financial services by many of the nation's larger financial institutions is fundamentally driven by cross-selling of products. Branches, departments and personnel are assessed in terms of how they measure up in terms of attracting and retaining customers but also by the level of cross-selling within short time frames. In some cases, this is measured within the first six months of the account. There are certain inherent obstacles when attempting to combine the short time frames that large financial institutions seek to cross sell with the longer-term savings process of the IDA. There may be some potential for cross selling products in the short term (products cited above: affordable emergency credit, debt consolidation, credit building, etc.) provided the right package or bundle of products is put together.

To date, few IDAs have found the right bundle or package that is mutually advantageous to the financial institution and the accountholder. There is a general consensus among financial institutions that cross-selling is not taking place with IDA accountholders. More research is needed to understand to what extent cross-selling is taking place with existing IDA programs and to the extent that it's not, what challenges are keeping cross-sells from taking place.

- **Finding the right match between institutional needs and appropriate IDA goals and structure.** Some financial institutions (such as Doral Bank in Puerto Rico) have sought long-term relationships in lower-income, lower-wage niche markets overlapping with IDA accountholders. These institutions may be more suited to investigate the proper bundling of products and services to sustain engagement in the IDA for the short-term with a view toward the longer-term relationship. Another approach may be for the IDA programs to involve financial institutions only at the master account-holding level while they sub-contract with third-party vendors to manage (more effectively and cheaply) the actual IDA sub-accounts.

- **Standardizing IDA account with financial institutions.** Across the board, financial institutions report that standardization of IDAs is essential for expansion. Through standardization, labor, technology, and administrative costs will decrease while the number of IDAs will increase significantly. At a minimum, costs will need to be covered on an ongoing basis. Without a standard IDA account, financial institutions will not engage in a higher volume way. Without adequate engagement and involvement with the right part of the financial institution, growth will remain limited. Some banks are providing electronic data to programs but most do not. With large-scale standardization, it would become much easier for an institution, especially a larger institution, to make key changes such as electronically providing data. The same is true for collecting and analyzing data about an institution's IDA activity. Without significant volume, the cost for developing or modifying internal systems to identify and track accountholder activity isn't warranted. The more programs (AFI, FHLB) there are, the harder it is to implement the same policies and procedures throughout an institution

4. Prospects and Opportunities

Among the many challenges to the field under this scenario some exciting innovations on the IDA model have emerged that offer greater opportunities for the future than may have initially been anticipated under an as-is scenario.

- **Innovation in service delivery.** New developments with system delivery and technology offer some exciting opportunities. Online financial education programs, greater screening of accountholder needs and a rapid assessment based upon prior data of appropriate tracks for pursuing the IDAs may help to offer the right package of programmatic supports.

- **Innovation in program operating systems**. D2D has developed an account management system designed to tie the IDA into payment systems. Using ACH-electronic funds transfer, the program software allows an IDA program to open a single large account and manage sub-accounts for IDA holders. The software will handle the transfer of funds into IDA accounts by the accountholder and the transfers from the large account to matching accounts. The IDA program can use the financial institution more effectively, holding large accounts with multiple sub-accounts managed in-house on the account management system. The system allows online access to the participant facilitating account transfers, checking balances, and initiating withdrawals, among other services. This new system is currently being piloted in five growth-oriented IDA programs. Regulatory issues may arise and strong internal controls are essential to account management functions. However, there are opportunities for outsourcing components of this.

- **Developing an IDA consortium.** Among financial institutions, there is a low expectation for substantial growth in IDAs without a strong intervention from the private or government sector. The creation of a private sector consortium is one possibility. Through a consortium, an IDA infrastructure could be established that would handle the back office activities (operations, promotion, processing) for consortium members, thus standardizing the product, reducing the per unit costs and increasing volume for the consortium members, while soft costs such as financial education and outreach would be kept at the institution level. This could help achieve significant cost reduction and bring IDAs to a much larger scale. Theoretically, a collaborative could work without legislation, however, practically, it would likely take legislation to facilitate the creation of a collaborative.

- **Impact beyond the IDA field.** If maintained, the IDA termed here as integrationist programs, could offer considerable impact on asset building provided there remains access to ongoing federal support and some flexibility in uses of those funds. Many of these smaller, integrationist programs do not register strongly on the radar screens of field leaders or support organizations but they are more likely to be plugged into other broader organizations with reach and impact beyond the IDA field. There is the potential for underestimating the role and impact of smaller IDA programs. There will continue to appear fewer numbers when measured agency by agency; this may mean the overall role or impact of these programs when taken collectively could be overlooked. However, the transformation of large community action and social service agencies to move beyond the delivery of emergency services to providing a pathway toward asset development and long-term self-sufficiency could have a potentially huge and lasting impact. The participation of community action agencies, housing authorities and local social service agencies means expanding the potential reach of IDAs to millions of low-income people. Understanding how to integrate this experience and leverage the relationships that those IDA programs have in other fields will be essential for increasing impact beyond the current field.

5. Recommendations Under this Scenario

a. Practice Recommendations

If AFI is reauthorized without further federal legislation, it will be critical to direct new resources toward addressing the question of operational efficiency. For the single-focus programs it may prove essential for survival. Integrationist programs may face less immediate risk, but will ultimately need to adopt efficient measures to limit their impact on the host agency. Two areas for greater efficiency that are being explored are:

- **Streamline program delivery**. Several practitioners have begun streamlining program delivery through greater market segmentation and the delivery of support services and education based upon client need rather than program requirements. These innovations will need to be evaluated based upon volume of clients, program completion and financial impact with results broadly disseminated.

- **Enhance field infrastructure to improve program management.** Two major initiatives underway are to improve account management and delivery of financial education through technology.
    - Account management. Investment piloting account management systems and integration with other industries may result in greater efficiencies and limited costs. Funds need to be directed to process improvements both to streamline service provision and through effective account management.
    - Financial education delivery. Several pilot programs seek to offer financial education in a more accessible manner than the intensive classroom-based model. These should be studied to determine its performance in reducing program costs and attracting and retaining participants previously deterred by inflexible class schedules.
    - Other MIS systems. Various programs have been tinkering with MIS IDA to improve both the quality of their data and the facility of use. The more promising examples should be carefully evaluated.

b. Policy Recommendations

The importance of efforts to improve AFI cannot be overstated. A large number of IDA programs have developed as a result of the AFI legislation, despite some of the more challenging restrictions. This legislation has not reached its potential and still remains undersubscribed. It has reinforced a labor-intensive and cumbersome model without providing adequate resources to support it.

In order for AFI to facilitate growth and sustainability of IDAs, significant improvements are still needed, particularly with AFIA's income restrictions, which make it difficult, and in some cases impossible to use in certain high-cost geographic areas. Other needed improvements have been identified through a field survey conducted by CFED in 2003, and include expanding the eligibility criteria, giving IDA programs greater discretion over the use of the nonfederal funds, and reducing the amount of nonfederal funds required to be raised, among others.

Many organizations identified the Office of Refugee Resettlement's IDA program as a better "model" for national legislation.

B. Scenario II: Savings For Working Families legislation

The second scenario studied was the potential passage of the Savings for Working Families Act (SWFA). This proposed federal legislation would enable 300,000 IDAs for low- and moderate-income people saving for a first home, post-secondary education, or business capitalization or expansion. The legislation provides financial institutions with one-dollar tax credit for every dollar they provide to an IDA, up to $500 per IDA, per year. Financial institutions are eligible for an annual $50 per account credit for every IDA they hold.

The rationale for an IDA tax credit stems in large part from a goal of moving IDA policy to a more permanent position in the tax code, as opposed to the discretionary side of the budget, where programs tend to be at greater risk and subject to the political winds. The second goal is to establish a federal IDA initiative to reach millions of families, significantly more than the 15,000 to 20,000 that exist today. By creating a tax credit that utilizes the vast network of financial institutions, the beginning of a national, standardized IDA product starts to become accessible for millions.

The SWFA could provide the impetus for financial institutions to pursue IDAs on a significantly larger scale, and potentially generate sufficient volume to capture the attention of the business/retail side of financial institutions. Whether the SWFA would spur such growth would depend on a number of factors, from regulatory details to financial institutions' assessment of the IDA market, to the types of partnerships that develop among financial institutions, IDA practitioners, possibly employers and others. At a minimum, the tax credit would likely spark a number of IDA tax credit pilots.

1. Key Findings Under SWFA Scenario

- There is a high level of skepticism about the prospects for Savings for Working Families and questions are circulating in the field about whether it will be pursued in the future.

- Practitioners have long had a mixed reaction to this legislation. Strong critiques of the proposed legislation emerged from the field and have lingered because: the process is perceived as top-down and because of its failure to link to actual experience and practice. Many viewed the asset accounts established under the Savings for Working Families Act as something other than an IDA with a significantly different market segment to be served.

- IDA practitioners that did plan to take advantage of the potential in SWFA would necessarily be shifting (or expanding) their market or customer from individuals and families to financial institutions. Services would be designed, marketed, promoted and sold to the financial institution not the accountholders per se. This is a fundamental shift not only in how many organizations approach IDAs but also in how they approach their overall organizational activity. For example, a bank may contract with an organization to market and provide services to individuals not in their target market. Or financial institutions may evaluate success in a different way than the nonprofit organization. Larger organizations that focus on personal development work may choose not to participate if it means shifting their market and their focus from current clients. Many practitioners planned to maintain direct IDA programs as well for those unable to use or remain in the SWFA-based accounts.

- Financial institutions differ on their approach to this scenario and offer different predictions for whether and how tax credits would be used. Many consider that the tax credit to provide an impetus to move IDAs further towards scale, while others are unwilling to make such predictions without knowing the details of how the tax credit will be implemented. With financial institutions, it may only take a few successful (and profitable) examples to bring others to the table.

2. Impact of SWFA on Structure of IDA Field

Both practitioners and financial institutions are in a wait-and-see position regarding the likely impact of passage of the Savings for Working Families Act (SWFA). Many programmatic details would remain unknown until the law is passed and regulations are written. Nevertheless, practitioners and financial institutions have developed notable perspectives regarding the SWFA's potential impact on the IDA field.

- **Unlike other federal IDA programs, this places the financial institution in the central role of the IDA program**. They would have ultimate responsibility and control how SWFA IDAs are implemented. Overall, financial institutions indicated interest in the tax credit but expressed tentativeness as to how aggressively they would pursue it until they have more information. The level of reporting required under the tax credit – if it ultimately is too burdensome – will keep a number of institutions from pursuing the credit. Other considerations include: financial education requirements, the use of the credit and issues of recapture.

- **Financial institutions cited a number of motivations for engaging in the SWFA.** Primary is the opportunity to expand into new markets or underdeveloped markets. The tax credit could enable financial institutions to cultivate new customers with the IDA and provide opportunities to cross-sell IDA customers other products and services. Even with the SWFA, financial institutions find community development and CRA benefits remain a primary motivating factor for participating in IDAs. In a 2003 survey, the Center for Community Capitalism found that 86 percent of financial institution respondents cited community development as their motivation for sponsoring IDA programs. A number of financial institutions also reported that they would be motivated to pursue the tax credit given their existing stake in the IDA field. In this respect, competition with other institutions serves as a strong motivation for using the credit. A number of institutions indicated that they would consider aggressively pursuing the tax credits to take a lead position in the IDA field. In anticipation of the tax credit's passage, a few institutions have embarked on internal data collection and analysis of their IDA activity to better understand what the IDA market potential could be. Some institutions have begun to collect external data about the potential market for IDAs, such as the demand for IDAs, and demographic, geographic, and economic information about current accountholders. If the tax credit passes, a number of institutions report that they would utilize the 12-month period in which the tax credit regulations would be written to assess its potential and expansion of their IDA activity.

- **Practitioners have long had a mixed reaction to the Savings For Working Families legislation and thus were split on how they would respond.** Many viewed the asset accounts established under the Savings for Working Families Act as something other than the IDA, reaching a significantly different market. For some practitioners, SWFA was considered to be more closely analogous to other asset-building efforts such as the Federal Home Loan Banks' First Home Clubs or more traditional down payment assistance or closing cost programs. Nevertheless, many practitioners indicated plans to participate motivated by a desire to ensure that lower-income, harder to serve individuals have access to the SWFA IDA. Some foresee aggressively approaching this by actively recruiting financial institutions to participate in the tax credit and demonstrating the role and value of the partnerships. Other practitioners expect to maintain their current level of activity with the IDA but somewhat apart from the SWFA IDA accounts held by banks. Once pushed to move beyond distrust of financial institution motives, IDA practitioners reported an eagerness to relinquish certain roles that they currently handle under IDA programs such as account management, data tracking and monitoring enabling them to focus more on support in case management, financial literacy, counseling. Practitioners planning to pursue a role in SWFA-asset accounts discussed strategies to market the tax credit to the financial institution, obtaining their buy-in and identifying what they, the nonprofit, bring to the table. Proactive practitioners identified the following potential roles for themselves and their peers: marketing, recruitment and retention of program participants; helping financial institutions to measure the degree of counseling and education needed; accepting referrals of individuals who are struggling to meet savings requirements for additional support and counseling; delivery of financial education; and reaching new markets.

- **Although the legislation does not explicitly identify a role for IDA practitioners, it does not prevent financial institutions from partnering or contracting to implement the tax credits.** Both our and the Center for Community Capitalism's research indicate that financial institutions planning to use the SWFA tax credit intend to maintain and expand relationships with IDA practitioners. Most financial institutions acknowledged that they would continue to rely on nonprofit partners, to market and recruit accountholders, verify accountholder eligibility, deliver financial education (although some may develop their own financial education curriculum), provide intensive financial counseling for those needing it, and assist in the asset purchase process. In considering the question of reaching the harder to serve populations, financial institutions reported that they would anticipate a role for IDA practitioners, as they too recognize that they are not particularly well suited to provide the type of high-touch services that nonprofits and other IDA partners offer. The financial institutions studied here identified the roles for themselves under the tax credit at a minimum: providing match funding, holding the accounts, and generating and providing account data.

3. Challenges For the Field Under SWFA Scenario

Similar to Scenario 1, different approaches to the tax credit will each present particular challenges. Regardless of the approach, the greatest common challenge to the IDA field under the tax credit scenario will depend upon how the credit itself is implemented. It will be incumbent more upon the *financial institutions* to make the IDA cost-effective and flexible to attract and retain a broad range of accountholders and achieve sufficient volume to propel this forward as a wide-scale product. Many in the field have long considered this the most effective means of achieving a more efficient, scalable product. Some particular challenges under this scenario include:

- **Uncertainty over implementation inhibits planning**. For most institutions, fully understanding the tax credit's potential as well as the details regarding how it would work remain central to their decision whether to pursue the credit. Like the financial institutions, many of the practitioners are prevented from planning a response without a better sense of how it would be implemented at the financial institution. Compounding this issue for practitioners is the legislation would place the role of rolling out these accounts, in great part, in the hands of the financial institutions. While the legislation would require financial education, it does not address how to work with those not currently asset-ready that fall outside the realm of other existing homeownership assistance programs.

- **Establishing trust between financial institution and nonprofit organizations.** IDA practitioners expressed concerns over financial institution motives and reservations on how and whether they would participate. Many expressed concerns that the institutions will quickly determine the cost savings involved with offering minimal support services and limit their partnerships with nonprofit organizations. These practitioners fear that a focus on efficiency will shift the IDA to higher-income and lower-need populations.

- **Full utilization of the IDA tax credit still requires that the business case within the financial institution be clearly made.** New departments of the financial institution, including the tax, legal, retail financial services and marketing departments, will need to participate in determining whether and how the institution will use the tax credit. Employing these additional resources within the bank requires that the IDA be viewed as a business opportunity rather than a community development activity. The credit for managing the account will not be sufficient to sell the business case thus; institutions will still seek the cross-sell potential to determine the potential profitability.

- **Nonprofits participating in a SWFA IDA will need to reposition their market and adjust their services to the needs of the banks.** Those practitioners planning to participate in a SWFA IDA will be shifting (or expanding) the market for its services from the focus on the individual to financial institutions. This is a significant shift as many nonprofits have traditionally sold their services directly to individuals. If the bank is contracting services from the nonprofit organization, they will become the client or customer for services. This entails a cultural and operational shift that nonprofits will need to understand and for which they will need to plan. Services would be designed, marketed, promoted and sold to the financial institution not the accountholders per se. This is a fundamental shift not only in how many organizations approach IDAs but how they approach their overall organizational activity. Resistance to this legislation reflected this uncertainty. Many practitioners planned to maintain direct IDA programs as well for those unable to use or remain in the SWFA-based accounts.

- **Overhaul of case management function as a permanent component of the IDA.** The level and degree of case management as a component of the IDA has been an ongoing debate in the field. Some argue that it is critical to distinguishing the IDA from other asset programs and that it enables the IDAs to both reach harder-to-serve individuals and to retain them in the IDA programs. The downside of extensive case management is that it increases the cost of operating an IDA, creates a cumbersome program and, in some cases, may discourage retention as excessive "managing" may dissuade families from wanting to proceed. At the recent IDA conference, many field leaders implored practitioners to be flexible in their delivery of this intensive work. More work needs to be done on the profiling of who needs case management. For nonprofits to prove their value under a SWFA IDA they must show a strategic use for case management.

- **The level of reporting and monitoring required with the tax credit may affect its uptake.** Repeatedly, financial institutions have identified this as the top issue that will affect their decision to use the IDA tax credit. Some financial institutions have raised their concern over the way the legislation is currently drafted. There is ambiguity in the legislative details to suggest that the level of burden won't be fully understood until the regulations are drafted. A handful of financial institutions are likely to play an active advisory role in the drafting of the regulations, and it will be imperative that their voices be heard in the formulation of the regulations.

4. Potential and Opportunities: A Tool to Pursue Scale

- **The IDA tax credit if properly implemented could be a tool to achieve scale for a bank-driven IDA product.** The Center for Community Capitalism found that, of the financial institutions aware of the SWFA, 59 percent are at least somewhat likely to use the SWFA. Discussions with financial institution officials about the SWFA inadvertently shift to one about increased IDA volume and getting to scale. Financial institutions appreciate the tax credit could be an additional product for engaging new areas of the institution in IDAs and to further certain goals of the institution. One community bank saw the potential of the tax credit– with its higher income threshold – as an opportunity to engage its homeownership program. Plans by some banks to put together a consortium handling back-office functions and pooling account management responsibilities may have greater traction and potential to achieve scale under the SWFA. Perhaps as important as the match for financial institutions, SWFA would codify the IDA as a part of the tax code, enabling standardization of the IDA as a product – looking more like an IRA product. Overall, banks are looking IDAs to standardize through legislation and/or regulations, as IRAs are standardized. If the IDA tax credit enables financial institutions to undertake IDAs in larger volume, to the extent that a business case could be made, a product manager would likely develop the institution's standardized IDA product.

- **Greater standardization and automation reinforces efficiencies and provides an impetus to promote the product more broadly.** The banking industry is designed for quick transactions. By increasing efficiencies, reaching greater numbers of accounts using mechanisms such as direct deposit and ACH transfers, the financial institution will be able to deliver a more standard product. Automation will be key to the involvement of financial institution. If functions can be automated the banks could do it. Technology could be built around this. Needs volume for incentive in standardization; still put a time frame on it. Standardization will help to diminish the perceived risk (reliability that the product will exist for the long-term) and make it easier for a bank to develop its own standardized product.

- **The tax credit may offer the business case sought by financial institutions.** Most financial institutions, although not all, do see an opportunity for the cross-selling potential as <u>the</u> aspect of the IDA that will move IDAs from a cost generating activity to a profit generating activity. Given that at the current level of IDA activity, most institutions haven't experienced strong cross-selling activity with accountholders, the cross-sell potential isn't likely to be fulfilled until IDAs are pursued on a larger scale. In order to achieve this potential, there will need to be greater integration of the SWFA IDAs with other bank products. Mortgages have long been touted as having a strong cross-sell potential but it will be important to think beyond the mortgage as the sole means of subsidizing the program costs. Anecdotally, banks that appear to be the most successful at obtaining mortgages of lower-income customers are those that have staff in place who are trained to reach out to them. This practice may need to be expanded to consider the overall banking uses and needs of the IDA population, similar to private banking departments. Assuming the regulations are favorably written and the tax credit will enable institutions to break even, financial institutions would take a deeper look at the IDA potential and have more incentive to expand IDAs. If volume were reached, significant new steps would be taken with the institutions: IDAs would be given a segregated product code and steps would be taken to develop an institution-wide delivery system; all bank tellers would be aware of the IDA product; more data about the customer would be collected; customer intake and screening would be standardized; and IDAs would be promoted as a retail product.

- **Despite practitioner concerns, most financial institutions have no intention of going it alone in using the IDA tax credit.** The Center for Community Capitalism's survey found that financial institutions hosting 56 percent of IDA programs reported that they would not offer an IDA program without a nonprofit partner. Financial institution sponsors of 71 percent of large IDA programs reported this position. Financial institutions are also likely to provide some support for their IDA partners for their role in IDAs. The survey found that financial institutions in 86 percent of IDA programs said they would be willing to share the administrative (annual $50 per account) tax credit with their IDA partner. From the largest to the smallest institution, practitioners play a central role in IDAs, from marketing IDAs throughout the community, to providing the case management, particularly for higher-touch customers, to verifying the asset purchase. As financial institutions contemplate using the SWFA as a tool for increasing IDAs, many anticipate partnering with programs that have a solid program and financial structure. In the same vein, financial institutions will be interested in partnering with organizations that have the capacity to deliver financial education to more people – finding IDA programs and other organizations that can reach more accountholders. Organizations with regional or even national reach are likely to appeal to institutions that are looking to offer the IDAs on a wide basis. However, as in any line of business, it is necessary to have a bank person who is familiar with the needs of the targeted population.

5. *Conclusions and Recommendations*

Despite this bill's being in circulation for several years, there has been little planning or preparation for its passage. Those that have become engaged in an advocacy role find that working for its passage has not led to clear steps or plans to prepare for its use. Some bank officials indicated that the delay in passage lost them both the momentum and to some extent credibility for its support within the bank and hampered planning.

A relative few people in the field have developed strategies for maximizing the tax credit passage to put systems in place for a national infrastructure to more broadly rollout the IDA. The ideal IDA, from a financial institution's perspective, would be virtually transaction-less – structured more like a trust or master account. One financial institution official suggested that her institution would explore developing strategic alliances with other partners to lower operating costs. Finding a less expensive operating platform, such as the D2D account management software currently being piloted, was cited. Alliances could also help drive down account data collection and customer reporting costs. But these thoughts are preliminary in nature.

If Savings for Working Families (SWFA) were to pass, both practitioners and financial institutions will have to evaluate whether and how they define their role. The scenario planning exercise helped many to move beyond their reactions (pro or con) to the legislation to a more thorough exploration of the comparative strengths of each participant to help shape the role they may play. In some cases, it helped certain current IDA practitioners to determine whether they would have a role at all. Nonprofits positioning themselves for a SWFA role see themselves initially as messenger or communicator about the availability of tax credit to the financial institutions in their communities. In so doing, they would need to identify the internal champions for the tax credit within the institution.

From a policy perspective, many thought the SWFA, by being limited only to financial institutions, missed a greater opportunity to bring new players into the field. If it were to pass, the credit should be opened up to other businesses and firms.

C. Scenario III: Other Policy Options

The focus groups and interviews generated ideas for new policy to promote IDAs and asset accounts more generally. In several focus groups, practitioners expressed frustration with policy development in the IDA field. The primary concern was that policy was separately crafted from practitioners and without adequate input from the field. While many expressed great respect for the individuals and organizations formulating policy, they felt that a lack of on-the-ground perspective essential for making the legislation applicable once passed and for raising support from local elected officials.

The Savings for Working Families Act (SWFA) was frequently cited as an example of policy developed without input from practitioners but that sought support and action from practitioners. Some expressed an inhibition to promoting the legislation with their elected officials because they either failed to adequately understand it or could not clearly identify their organization's role in the program. Financial institution officials interviewed that are most aware of IDAs and policy that supports IDA did not have much involvement with legislative agenda setting for their institutions.

The focus groups presented an opportunity to explore a range of policy options to promote IDAs and better enable their move toward greater scale and sustainability.

1. Key Findings

- Practitioners feel they have a lot to offer in terms of creativity, ideas and organizing on the policy front but believe their involvement has been restricted in recent years. While most practitioners cite the tremendous efforts taken by field leaders in the early years to build a base of support and education around IDAs, recent approaches to policy on the national level have limited the further building of constituencies and support from within the field. Experiences have been more favorable (generally) at the state level. Several expressed the value in the state level meetings that CSD has convened to learn about the experiences of peers in other states. A national framework for policy development and information sharing could be addressed either through the establishment of an association or through a process similar to the state level meetings to engage stakeholders.

- Efforts to couple IDAs with other asset-building programs are expanding and the field may be beginning to break out of its silo. Many feel that practitioners straddling multiple fields (e.g., affordable housing, economic development, microenterprise, CDFI) have facilitated this on state and local levels. There need to be greater coordination and information for practitioners in the field.

- Efforts to link IDAs to EITC and CTC received favorable response from practitioners and some financial institutions and should be pursued with vigor. While a refundable savers tax credit could shift the current IDA from a nonprofit managed account to a more universal account through financial institutions and mutual funds, practitioners found it easier to envision their future roles including:

advocacy, promotion of the credits, linking people to products and programs, providing a triage role and integrating with existing efforts (EITC campaigns, reaching unbanked, etc.) Financial institutions had fewer thoughts about how it would be implemented but saw that it could provide a framework for standardization without the hassle of reporting on a tax credit (that would occur under SWFA).

- Other legislation proposed included:
  1. National Financial Literacy Education delivered through schools with an emphasis on children and parents.
  2. Promote ASPIRE Act to establish investment accounts for every child in America to save toward higher education or the purchase of a home.
  3. Formalize IDA within the tax code to allow for pre-tax income investments in an IDA. This would both allow for greater returns for lower-income families and provide the framework desired by the financial institutions.
  4. Develop health savings accounts that provide opportunity and incentive for people to save for medical emergencies.

2. Impact of different policy on the IDA Field

a. Refundable Tax Credit

The idea that gained the most traction was refundable tax credits for IDA savers. From a policy standpoint, this was a clear favorite. The refundable tax credit for IDA savers would enable individuals qualifying for the Earned Income Tax Credit (EITC) that made deposits to a qualified IDA account eligible to receive an additional credit, deposited directly into the account.

The rationale for tax credits remains the same as under SWFA, stemming in large part from a goal of moving IDA policy to a more permanent position in the tax code, as opposed to the discretionary side of the budget, where programs tend to be at greater risk and subject to the political winds. The second goal is to establish a federal IDA initiative that can reach millions of families, significantly more than the 15,000 to 20,000 that participate today. By creating a tax credit that defines a qualified IDA account, the beginning of a national, standardized IDA product could become accessible for millions.

Because this is not a formal policy proposal, there are many questions about how this would be implemented, including the term allowed for the IDA, allowable uses, maximum match or credits per individual and family, and what the recapture process for accounts would be. In discussions around this idea, practitioners proposed some creative options for designing this policy, including establishing long savings periods (up to 10 years) with lifetime maximum amounts matched and allowing rollovers of unused accounts into IRAs (in which the matching funds would be frozen until retirement).

Because there are strong links between IDA programs and EITC campaigns around the country, practitioners readily identified roles for themselves, particularly in outreach and education around the IDA product, preparing tax returns, linking savers to financial education, and providing some counseling and support (if needed). Many saw this as an opportunity to streamline delivery and increase efficiency of the IDA. Many components of the IDA would be handled in conjunction with the EITC efforts, including determining accountholders eligibility, opening accounts, tracking savings (from prior year) and depositing matching funds (through direct deposit of refunds into qualified accounts). The high-touch services that many practitioners feel are necessary for many could be made available on an as-needed or on-demand basis. Finally, defining a qualified account in the tax code would even address the standardization question for financial institutions. It would set the definition of a qualified IDA account and thereby enable financial institutions interested in rolling out an IDA product to establish the account within prescribed guidelines.

The most significant concern cited was whether it would ever be possible to get this type of legislation passed. Some felt it may be too unrealistic to expect that this could pass. However, many felt that this could garner stronger support from *their own* elected officials, many of whom had struggled with the notion of a social program delivered through for-profit financial institutions, as SWFA would have done.

b. Children's Savings Accounts - ASPIRE

There were many practitioners that were excited to learn more about the America Saving for Personal Investment, Retirement, and Education Act (The ASPIRE Act). This proposed legislation will establish an account for every child born after December 31, 2005. The accounts would receive a one-time $500 contribution, with children living in households earning below the national median income eligible for a supplemental contribution of up to $500. The accounts will be supported by a series of incentives designed to encourage savings, promote financial literacy, and expand asset-building opportunities. Many practitioners have responded enthusiastically about the ASPIRE Act and the children's savings accounts, although some have raised concerns that this may be a first step toward privatizing social security.

c. National Financial Education Legislation

The importance of legislation establishing a national financial education program came up in multiple focus group discussions. Several practitioners had proposed that financial education be a requirement in high school curricula to ensure that all high school graduates receive "the basics" for understanding budgets, use of credit and debt, and savings strategies. Others proposed a policy for funding adult financial education, more thoroughly bringing this to scale. Ideas for funding this legislation ranged from either direct budget appropriation to bankruptcy recoveries, predatory lending settlements, etc.

3. Recommendations

Policy organizations should rely more upon the resources that have been developed in the field. Practitioners feel their strengths have been largely untapped in the formulation of policy. But they feel they do not have enough voice or influence over policy that is being promoted. There was considerable interest in a membership-driven trade association for the IDA field. Trade associations or coalitions that are member driven provide a vehicle for practitioners and those "in the trenches" to inform policy to ensure that it is appropriate to the needs and strategies being employed. Although, many practitioners found that much had been accomplished by the leading support organizations to build a field around IDAs and asset-building. Many feel an interest in participating more in defining next strategic directions to support the field as it matures and shifts.

Not all are in agreement that there should be a formal trade association, as several practitioners already belong to one or more such associations. However, most focus group participants highlighted the need to have some structure (association, coalition, alliance, etc.) that seeks input on an ongoing basis from a membership or constituency base. There need to be greater coordination and information for practitioners in the field. CFED had initially been seen as the natural organization to do this but it is unclear whether they are still committed or interested in pursuing this.

Section III: Field Map

The Aspen Institute Economic Opportunities Program's (EOP) initial scan on IDA development reflected the IDA field as moving from a program for hundreds to a product for millions. The scan identified the shifting roles that different organizations may play as the IDA moves to greater rollout and delivery. These shifting roles would have to build upon the comparative strengths of partners to enhance effective delivery and differ based upon market need. EOP's scan presented IDAs within a broader product scale model and suggested that IDAs had entered a period of redesign and retooling in order to facilitate greater rollout. That IDAs were in a period of re-tooling has echoed throughout discussions with many of the field's "leading thinkers" as well as larger practitioners.

Moving forward has been impeded both by uncertainty for the future (addressed through the scenario planning exercise) and confusion over roles among support level or resource organizations. The lack of clarity in the roles, expertise and functions of the field's support organizations and funders has resulted in duplication of effort in certain areas and gaps in others. Without clear definition of roles, obstacles or perceived obstacles emerge while whole areas in need of support and attention are neglected.

Based upon the lessons learned from practitioners and financial institution officials on different needs under different scenarios and the sense of what is currently occurring, EOP constructed an historical diagram of how the field evolved and an "as-is" map that mirrors the current activities.

Key Findings

- CFED (Corporation for Enterprise Development) played a pivotal and leading role in the development of the IDA field from the initial pilot program, the development and dissemination of materials, policy and organizing of advocacy work. With the completion of the American Dream Demonstration (ADD) and the reduction in general funding for field level activities, many became uncertain as to CFED's ongoing role and area of focus.
- The lack of a central repository of information has generated certain duplication of effort and left other areas unattended. Research and policy appear to have many overlapping organizations and initiatives while key infrastructure building to improve delivery system have been underdeveloped.
- New players emerged to develop greater infrastructure to support IDA accounts and program activities. The Assets Alliance played a visible role at CFED's IDA Learning conference offering consultations, technical assistance and materials. Innovating organizations, such as the Assets for All Collaborative, WORC, United Way of King County and D2D, have been working on improved delivery mechanisms and data management tools to help further propel the field. The scenario planning exercise pointed to the need for investment to be targeted to piloting, testing and promoting promising tools and systems.
- A new field infrastructure must emerge with clearly defined roles and areas for expertise. Investment in this field level infrastructure should be targeted not only

toward policy and research where it has been concentrated in the past but also for systems development and testing, the incorporation of new businesses (beyond conventional financial institutions) and industries into the field, linking practitioner organizations to new industries and potential resources. Partnerships must also extend beyond the narrow confines of community reinvestment with an emphasis on working through financial institutions and reach out to new industries and potential vendors for IDA management systems.

A. Early stage of IDA Field Development

While asset-development strategies are not new, the concept of developing a framework that helps and supports low-income people to accumulate assets gained great currency with the development and dissemination of Individual Development Accounts. Individual Development Accounts, first articulated in Michael Sherraden's 1991 book, *Assets and the Poor*, were vigorously promoted by CFED throughout the 1990s.

Diagram 1, "IDA Development: Early Stages" loosely depicts the origins of IDAs and the early stages of its progress. With some early experimentation among pioneers in the IDA field in the early 1990s underway, CFED sought to develop a more formal pilot or demonstration. In partnership with the Center for Social Development (CSD) as the research arm of the demonstration, CFED launched the American Dream Demonstration program (ADD) in 1996. With the launching of the pilot program that funded 13 programs, IDAs became a nationally recognized tool for asset development for low-income Americans. The early stages of development show how through the initial ADD demonstration, CFED helped spawn an entire field. Specifically, CFED and CSD developed resources in the form of handbooks, diskettes, guides, and implementation materials, training programs, national learning conferences, Americorps*VISTAs and a data management tool (MIS IDA) to an ever-expanding field. CFED also promoted national legislation to provide matching funds, establishing the Asset for Independence Act (AFIA) based at the Office of Community Services (OCS). Practitioners and policymakers at the state level, with support from CFED, CSD and the Institute for Social and Economic Development (ISED), passed state legislation supporting IDAs (in one form or another) in states. Refugee advocates, with guidance from ISED, were able to promote an innovative program through the Office of Refugee Resettlement.

By the late 1990s, there were multiple initiatives underway. However, as the American Dream Demonstration began winding down, many of the dollars for building capacity and infrastructure were drying up. The AFI demonstration led by OCS had taken a different direction and initially was not coordinating its implementation with other field-developed infrastructure. Multiple conferences and training programs were held initially with a subsequent gap of several years without any field-wide training conferences.

ADD research confirmed the underlying position that the poor can save when given the opportunity, incentive and support. This finding contributed a strong justification for asset building policy. However, much of the field's building activities and policy work became geared toward promoting policy in the form of Savings for Working Families not entirely supported on the ground level. As the prospects for this legislation continued to hang in the balance, new policy and program efforts were launched focused on asset accounts for children and with linkages to other policy for low-income families including earned income tax credits.

New players have emerged to offer infrastructure and new direction while some previous players either reduced their IDA activities or expanded into broader asset-building strategies. The philanthropic environment is unclear as some national foundations have moved away from IDAs and other local funders have become increasingly engaged. The 2004 IDA Learning Conference offered an opportunity for many to reconvene, learn of new developments in the field, share ideas on improving performance and service delivery, and ultimately begin looking to the future.

In comparing the recent history of the field with Diagram 2, "Scale at the Product Level," which offers a framework for how to bring products to scale in implementation, we see that the field has progressed through early experimentation and pilot testing with some degree of evaluation and the beginnings of infrastructure building and standardization.

B. Field Map

Diagram 3 shows a snapshot of the IDA field as it appears now. In mapping the IDA field, we found parallel, concurrent systems that have limited points of intersection. The two systems are made up of policy, research and field support organizations as one system and the IDA delivery as a separate system (see field map).

In the diagram, the lower box denotes the "operations" of IDAs beginning with the customer; the link between the program and the financial institution both in establishing the account and the benefits (or perceived benefits) for the financial institution. Within the blue box, there is small box denoting the efforts developed to date in the area of infrastructure and technology. This includes efforts to improve program delivery and address basic account management, such as the D2D online account management system, improvements to existing data management efforts, the online financial education pilots, best practices training and exploration of segmenting markets and tailoring support services to needs. These efforts are by no means small. However, the degree of funding and promotion they have received to date is minimal compared to other activities in the field. It is important to note that research and data collection on these program enhancements appears to be limited. Research at the national, field level has focused primarily on promoting policy, not on improving service delivery. If the field is to move forward, more research funds should be directed to infrastructure activities.

The dashed upper box denotes the policy-driven activities of the field. This has the closest link to national foundations, and is integrally connected with both the major research efforts and field-building activities. In recent years, this area has experienced both the greatest overlap in terms of multiple organizations taking on similar activities and confusion over which organizations are best positioned to perform similar activities.

Some of this is funder-driven as multiple funding streams have been provided to different research organizations to perform similar work.

These two distinct and fairly detached systems have only fleeting connection through periodic communications via a listserv, training forums and newsletters. The IDA Learning Conference had historically provided a key opportunity for intersection between the research and policy system with the delivery system. The learning conferences convene practitioners, policy groups, support organizations, intermediaries, financial institutions and funders to share information, debate new policy directions, to network, and to build a sense of a coordinated "field". The anxiety resulting from the disruption of the annual learning conference demonstrates how valuable an event people found it. Concrete steps must be taken to establish more permanent and stable opportunities for intersection and interaction.

In general, many practitioners have expressed exasperation at the large amount of resources from national foundations targeted to the policy development system not the delivery system. The concentration of funder and field leader attention to certain activities has generated a "crowding" of research and studies around field positioning and policy. Some organizations frankly feel over studied with little deliverables for the field. Research may be the obvious opportunity for intersection between the systems but it needs to be re-tooled toward greater emphasis on enhancing the delivery system for the field. A thorough analysis is needed of how resources flow within and among these systems and how to redirect resources to maximize the ability to respond to different policy outcomes as studied in the scenarios.

Finally, the failure to include the customer in much of the research (beyond the ADD research) or policy development potentially isolates the IDA from the bigger financial service delivery or asset-building picture. Little is known, for example, about the appropriate portfolio of products that IDA participants would typically use at each stage of their progression through the IDA program. As a result, there is no clear IDA path for participants to follow on the one hand and no clear "cross-sell" from the point of view of the financial institution.

C. Specific Recommendations for Funding

- Market research in customer demand and use of IDAs and related services. Greater emphasis on research of customer need, use of products, capacity to pay for financial services and progression through financial products.
- Greater investment in infrastructure and testing that will enhance and streamline program delivery. Despite earlier misgivings, the message has been well received by IDA participants that the need to streamline IDA activity is essential to success. Now they need the tools to do it. Investments in the use and testing of IT systems and new forms of delivering financial education are essential.
- Resources and field-building activities need to move outside of the policy-centered focus and re-engage at the capacity-building levels.

Diagram 1: IDA Development: Early Stages

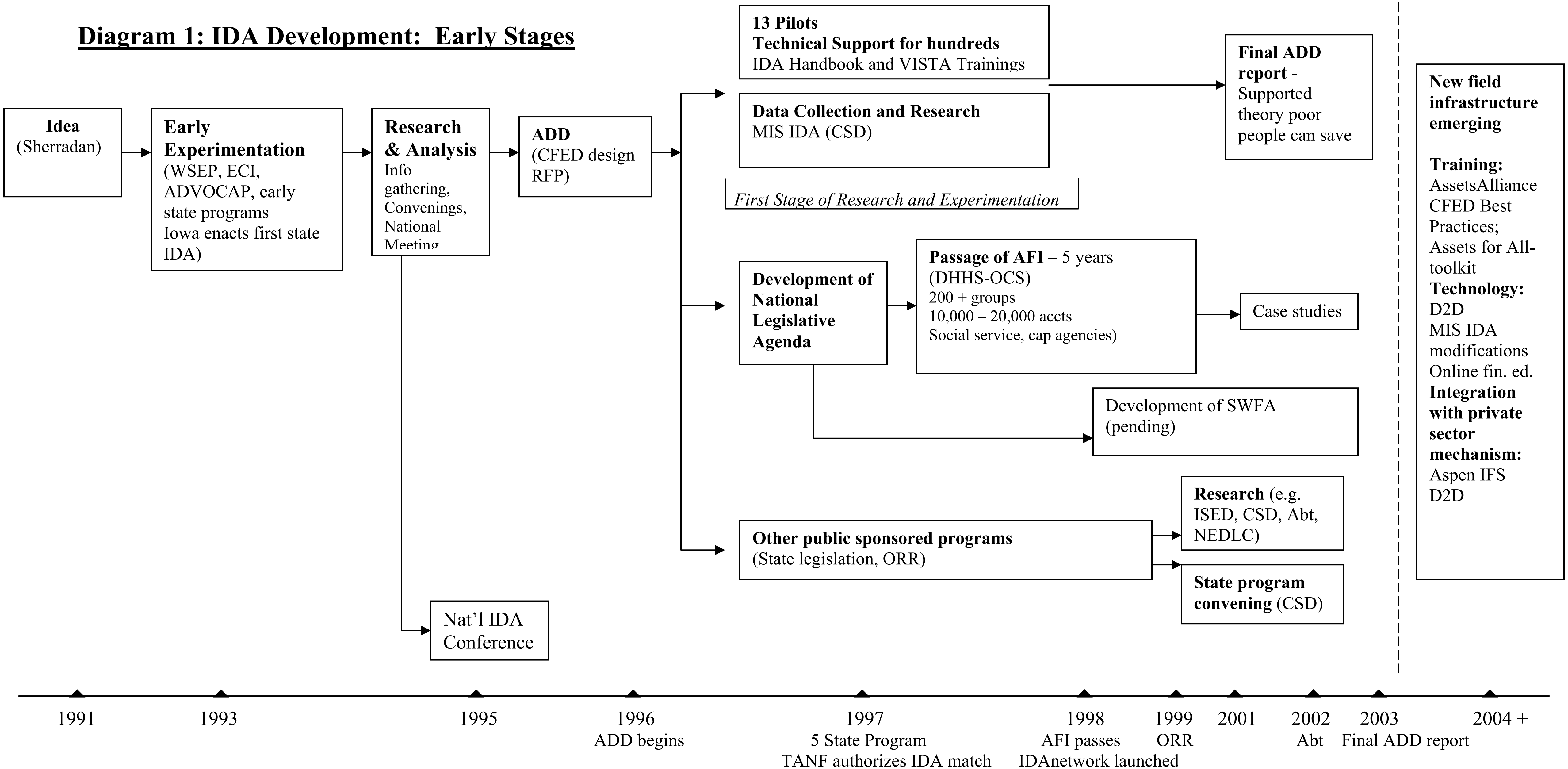


Diagram 2: Scale at Product Level

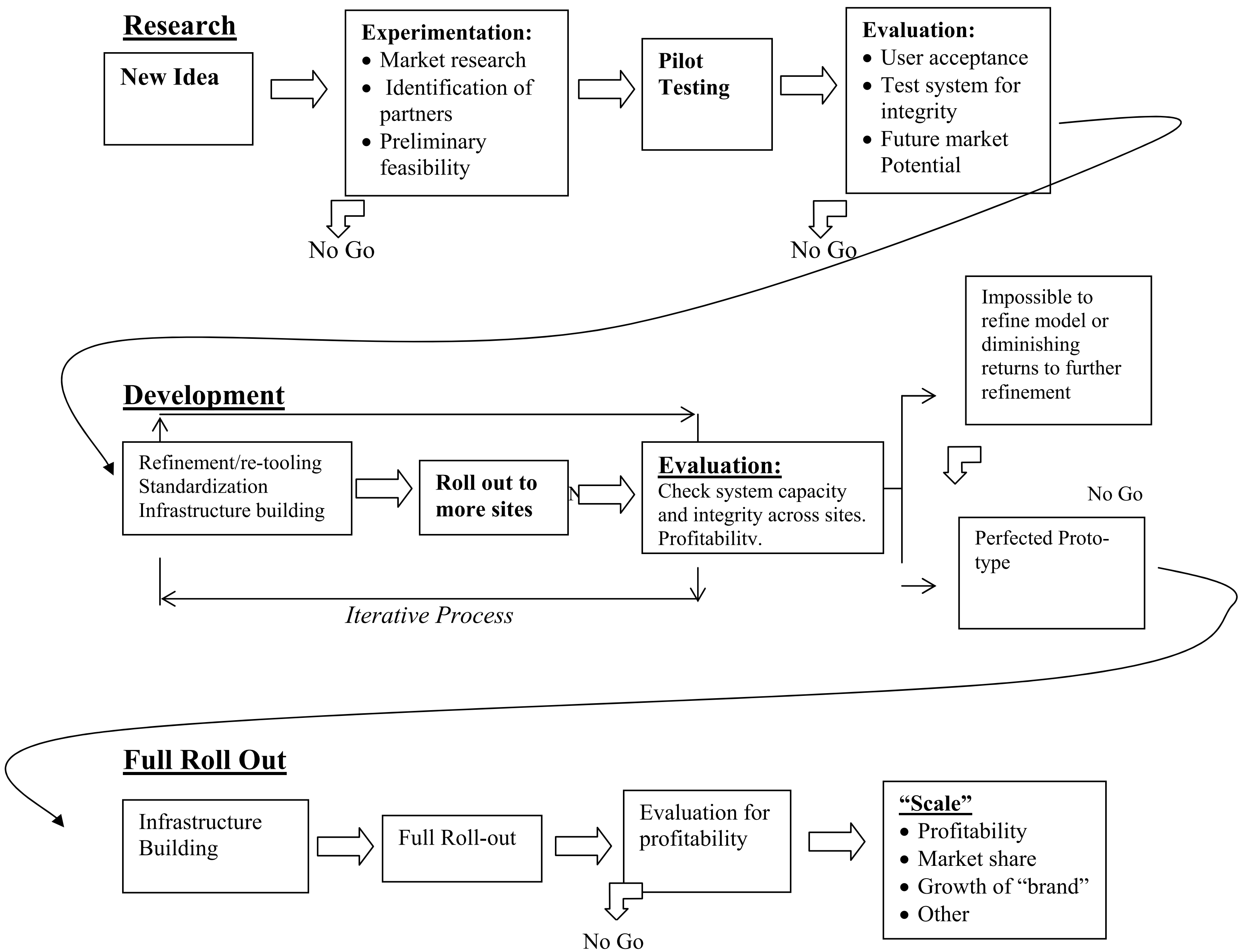
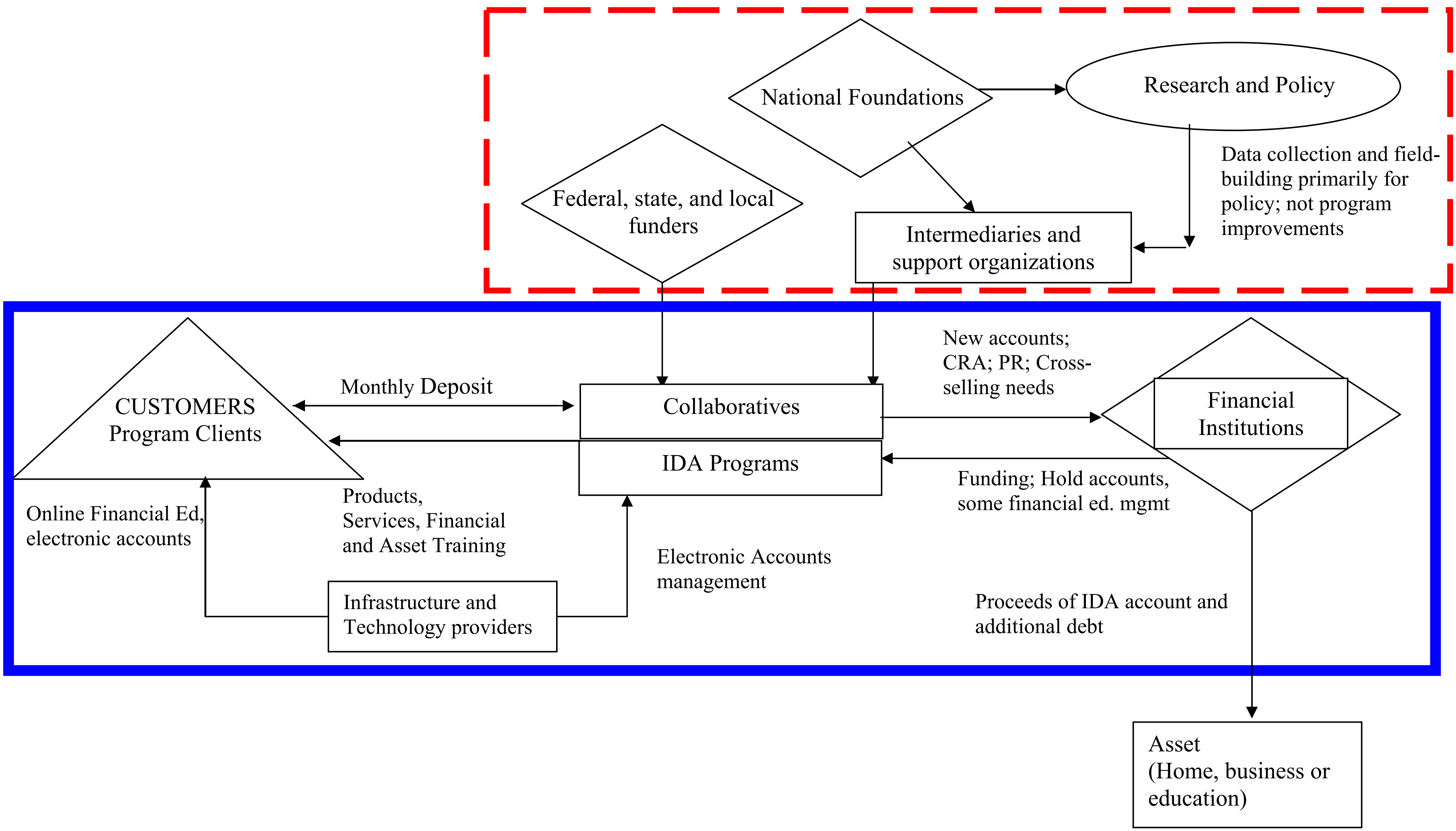


Diagram 3: IDA Field Map



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Interviewees*

Focus Groups

Baltimore

NAME	ORGANIZATION (as of interview date)
Dick Buschmann	
Michele	Accountholder
Mary Lou Mendoza	ACORN
Jeneanne Collins	Bon Secours of Maryland Foundation
Joanna Pi-Sunyer	Bon Secours of Maryland Foundation
Althea Saunders-Ranniar	Bon Secours of Maryland Foundation
Mary Raucci	Capital Area Asset Building Corporation (CAAB)
Gena Gunn	Center for Social Development
Cathe Dykstra	Center for Women and Families
Terry Hernandez	Chrysalis Foundation
Dennis Campa	City of San Antonio
Timothy Cole	Co-Opportunity, Inc.
Donna Taglianetti	Co-Opportunity, Inc.
Tim Flacke	D2D Fund, Inc.
Robin Chesgreen	East Harbor CDC
Mary Davis	East Harbor CDC
Jill Siegel	FES Coach/Comm. Slns.
Stella Chao	IDHA
Otha Meadows	Indianapolis Urban League
Lisa Huang	International District Housing Alliance
Jessica Schweiger	International Institute of Rhode Island
Debra Carr	ISED
John Symynkywicz	John Hope Settlement House
Quaneza Harding	Marshall Heights Community Development Organization
Leslie E. Reed	Martindale-Brightwood CDC
Val Tate	Martindale-Brightwood CDC
Alicia D. White	Martindale-Brightwood CDC
Sheri Bell	Maryland Center for Community Development
John Nevitt	Metro United Way
Jeri Ajayi	Mile High United Way
Barclay Jones	Mile High United Way
Richart Keller	Providence Asset Building Coalition
Dave Sieminski	United Way of King County
Joseph Kuzma	United Way of the Capital
Carol Maria	Urban Economic Development Association
Jianjie Ye	Urban Economic Development Association
Estella Forhan	YWCA of San Antonio
Alma Smith	YWCA of San Antonio
Mai Nguyen	

New York

	Mike Hickey	Deutsche Bank
	Amanda Vernes Sabicer	Fifth Avenue Committee
	Brenda Jones	Mt. Hope Housing Company
	Chun Choe	Neighborhood Housing Services
	Yanki Tshering	New York Association for New Americans
	Shandell Velez	Seedco/NPAC
	Linda Rodriguez	Seedco/NPAC
	Ron Deutsch	SENSES
	Vanessa Lockel	Westchester Housing Fund

Los Angeles

	Laura Coetez	Dunbar
	Blanca de la Cruz	East LA Community Corporation
	Magdalena Ordonez	Inglewood Neighborhood Housing Services
	Frank Melli	Jobs Start
	Rick Kim	Koreatown Youth and Community Center
	Valerie Williams	LA Community Design Center
	Jerome Nilssen	LA Family Housing
	Rhonda	LA Urban League
	Sandra Wilson	Longbeach
	Jonathan Newsom	Longbeach
	Lourdes Ortiz	MHDC
	Erica Campos	MHDC
	Azusena Favela	N.E.W.
	Craig York	Operation Hope
	Beatriz Acosta	Operation Hope
	Viem Hong	PACE
	Carla Botsis	United Way
	Felicia Boone	VEDC
	Ana Lopez	Watts/Century Latino Org.
	Arturo Yzarra	Watts/Century Latino organization

New Orleans

	Glen	Bank One
	Nancy Montoya	Federal Reserve Bank of Atlanta, New Orleans Branch
	Samantha Bickham	Greater New Orleans Foundation
	Lina Stern	IDA Program Director, Louisiana Collaborative
	Neil Groslin	Louisiana Collaborative
	LaVerne Saulny	Senator Mary Landrieu's Office
	Melissa Hughes	Versailles Learning Center

Michigan

	Kate Martin	Michigan Collaborative

	Toby Budd	Michigan Collaborative
	Diane Bucco	Michigan Collaborative
	Susan Lindson	Michigan Collaborative
	Eric Muschler	Michigan Collaborative
	Karen Emerson	Michigan Collaborative
	Heidi Henderson	Michigan Collaborative
	Erica Andrews	Michigan Collaborative
	Nancy Dudley	Michigan Collaborative
	Earl James	Michigan Collaborative
Financial Institutions		
	Bill Myers	Alternatives Federal Credit Union
	Ellen Tower	CitiBank
	Brian Anderson	Compass Bank
	Nancy Montoya	Federal Reserve Bank of Atlanta, New Orleans Branch
	Wynne Lum	Fleet Bank/Bank of America
	Edna Sawady	KeyBank
	Jennifer Tescher	ShoreBank
	Kevin Davey	ShoreBank
	Brian Stewart	Washington Mutual
	Ben Lopez	Wells Fargo

Contact Information:
Kirsten Moy, Director, Aspen Institute Economic Opportunities Program, kirsten.moy@aspeninst.org
Cathie Mahon, Project Consultant, cathleen.mahon@verizon.net

THE ASPEN INSTITUTE

One Dupont Circle, NW, Suite 700
Washington, D.C. 20036
Phone: (202) 736-5800
Fax: (202) 467- 0790
http://www.aspeninst.org/eop

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