

Individual Development Accounts (IDA) Overview

The Individual Development Account program is designed to encourage working people designated as low to moderate-income earners to save money regularly, even if the amount of regular savings is small. IDA accounts are quite different from regular savings accounts. For one thing, participants must save towards one of three primary asset purchase goals:

- 1) first-time home ownership**
- 2) post-secondary education**
- 3) small business start-up and/or expansion**

However, the biggest difference between this program and a typical savings account is there is a true “reward” for saving, as grant money matches personal savings for three dollars of match to each dollar of personal savings invested.

Before IDA Enrollment

A primary goal of the John H. Boner Community Center’s IDA program is for participants to improve their personal financial skills, including:

- 1) budgeting**
- 2) achieving savings goals through regular savings**
- 3) learning how the financial world works**

Before becoming officially enrolled in the program, IDA participants must complete a financial literacy-training program such as *Making Your Money Work*, offered by the Boner Center. In addition, participants must get their credit report/score prior to IDA enrollment and meet income and asset limitations.

Savings Account Structure

Once enrolled, IDA participants will establish special “custodial” savings accounts. These accounts are held jointly by the John H. Boner Center, in a unique partnership with Community Choice Federal Credit Union. This means personal savings and subsequent match funds can only be withdrawn with approval of the IDA program staff and if the account holder is in pursuit of a primary asset purchase goal(s). It’s important to understand that IDA savings accounts are not “rainy day” funds accessible at any time. Regular Savings is an IDA Program Requirement. Each IDA participant must commit to make regular savings deposits. It is far better to make regular, small deposits than it is to commit to a larger amount and later be unable to follow through. Ideally, participants set

up “direct deposit” from their paychecks into their personal savings accounts at Community Choice Federal Credit Union.

However, we understand that sometimes “life happens” and unforeseen circumstances may cause a participant to miss a deposit. Participants can make “catch-up” deposits, but remember, your IDA account is held jointly with the John H. Boner Community Center and can be cancelled for failure to save regularly. In this unfortunate event, your personal savings would be returned to you, but you forfeit any match funds accumulated.

Savings Account Matches

Each IDA participant actually has two savings accounts at the Community Choice Federal Credit Union, one in which regular deposits are made and a second account that holds match funds. Participants have until September 30, 2010 to save up to \$1,000 in their savings accounts in order to receive up to \$3,000 in their match accounts. The program makes “partial matches” each quarter up to the allowed total of \$3,000. Via this “bonus” match, it is then possible for an IDA participant to end up with a total of \$4,000. Participants must save for at least six months before requesting any withdrawal for asset purchases and must complete their asset purchase before September 30, 2011.

Eligible Use of IDA Funds in Greater Detail

IDA participants can use their funds for one of several qualified asset purchases:

- 1) **Purchase a primary residence**, such as a house or condominium. Further, IDA funds can be used to reduce the principal amount owed on a primary residence when said residence is purchased with IDA funds. Note: IDA participants must attend a home ownership-counseling program prior to requesting withdrawals for home ownership.
- 2) **Start or expand a small business**. Qualified expenses include costs associated with stocking initial inventory, purchase of business equipment, marketing and other start-up costs. Note: Qualified expenses must be included in an approved business plan.
- 3) **Education and job training**. IDA funds may pay for costs associated with attending an accredited institution of higher education, vocational school, or licensing training program that may lead to employment for the IDA participant or his/her dependent. Qualified expenses may include tuition, lab fees, books or purchase of a computer for education use.

If you are interested in, or have additional questions regarding the IDA program, please contact Wanda Wyatt, Sherwyn Kerbo or Tom Abeel at 633-8210.