Individual Development Account (IDA) Program
$ave2Learn & Business
Guidelines 2019

INTRODUCTION

Individual Development Accounts, or IDAs, are savings accounts for low and moderate-income
individuals who earn match funds through regular and continuous saving. Match funds are disbursed if
and when these savings are used for the purchase of specific assets: small business start-up and/or
expansion, or post-secondary education.

Low-income individuals and families are more likely to escape poverty if they are able to acquire key
family assets. The attainment of higher education and owning a small business are assets that will help
them become more financially self-sufficient. Those who are financially self-sufficient contribute to
stronger, more stable residential neighborhoods.

CCCS & IDA: Coconino County Community Services (CCCS) aims to promote healthy and vital
communities throughout Coconino County and to create innovative and effective programs that
measurably meet the needs of the low-income, elderly and disabled members of the County by
promoting independence and opportunities for success through coordinated community relationships.

Outcomes from programs nationwide point to dramatic outcomes for the very poor. These are not only
economic, but include more control over one’s life, dream fulfillment, pride of accomplishment, self-
esteeem, and an increased sense of belonging to and sharing a stake in the community.

INDIVIDUAL DEVELOPMENT ACCOUNT (IDA):
Coconino County Community Services offers Individual Development Accounts (IDAs) to eligible,
motivated entrepreneurs and students. IDAs are special savings accounts where money saved by
working families and individuals is matched with federal and local grants.

The IDA Program boosts applicants’ savings to attend college or start or expand a home-based or other
small business. Each dollar a participant saves for business capitalization, up to $2000, will be matched
by two grant dollars. Each dollar a participant saves for education, up to $1000, will be matched by three
grant dollars. **With the combined funds, students can have up to $4000 in educational funds and
entrepreneurs can have up to $6000 in business capital, upon completion of the program.**

Program Benefits and Services:
- Matched funds for savings
- No-Fee Savings Accounts at partnering financial institutions
- Personal financial management coaching coupled with financial literacy training
- One on one counseling for future success
- Information and referrals
- Asset specific training on business planning, start up and/or expansion
1. Eligibility Requirements

IDA AUTHORIZED USES

- Federally matched IDA savings accounts must be used for specific asset acquisitions. CCCS’ program specifically encourages small business start-up and expansion. However, eligible program participants pursuing post-secondary education may also be assisted. Those who are interested in purchasing a home will be referred to other local organizations already offering IDAs for that purpose.

PROGRAM COMPONENTS

Assets for Independence (AFI): Another national source of match funds is the Federal Government. The Assets for Independence Act of 1999 authorized grants for Match Funds through the Federal Government’s Department of Health and Human Services, Office of Community Services. Because AFI may now or in the future provide a majority of match funds to the Program Operator, most of the rules of the IDA Program are governed by the AFI requirements.

Community Sponsors and Funding Partners: Community Sponsors are locally based corporations, banks, small businesses, non-profit foundations, individuals and faith-based organizations that may be contributors to IDA Match Funds. Local, state government and Community Development Block Grant may also provide match funding.

Financial Institutions: Financial institutions – banks, credit unions or community development financial institutions (CDFIs) --are key Partners. Financial Institutions hold the savings accounts of IDA Account Holders and provide periodic financial statements showing deposits, withdrawals and credited interest. These accounts are governed by the procedures and guidelines of each of the Financial Institutions and their regulators and may vary from bank to bank. Financial Institution partners may, but are not required to, waive account fees and minimum balances for IDA account holders while they are saving for match funds.

IDA Education Partners: These may include universities, community colleges, the Small Business Development Center (SBDC), non-profit organizations (e.g. United Way, Family Resource Center, etc.), and various experts that provide Financial Planning classes (e.g. Coconino County Community Services Financial Coaching Program, Arizona Saves, Money Management International, etc.) and instruction with required attendance by IDA Account Holders for use of IDA match funds. Financial Institution Partners are often called upon to provide volunteer financial educators.

Staff and Volunteers: CCCS employees and AmeriCorps/VISTA members who are assigned to work in their year of volunteer service with CCCS may support the IDA program. Staff provides the day to day program support to IDA Account Holders and program partners, as well as maintaining Match Funds statements and other data for program administration and reporting.

IDA Account Holders: These family members and/or individuals are the primary participants in the IDA Program.
ELIGIBILITY REQUIREMENTS

IDA Participation Eligibility Requirements (each must be met):

- An individual (16 years or older) who primarily resides in Coconino County, Arizona.
- An individual who has a government-issued/photo ID and valid US Social Security Number or a Federal Taxpayer Identification Number.
- Any person who is a member of a household eligible for assistance under the State Temporary Assistance for Needy Families (TANF) Program [established under Part A of Title IV of the Social Security Act (42U.S.C. 601 et seq.)], OR is eligible for Earned Income Tax Credit OR who meets each of the following tests:

INCOME TEST: Adjusted annual gross income of the household is equal to, or less than, 200 percent of the poverty level (as determined by the Office of Management and Budget) or the earned income amount described in Section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household). Reference the chart below for annual income limitations. Parental income may or may not be factored in, depending on the participant’s dependence on his/her/their parents. [Note: Only wages, salaries, professional fees, and/or other compensation for personal services actually rendered will be accepted as Income. Child support, social security, retirement, foster care payments, gifts of cash, securities or real estate or dependent children’s income will not be counted. However, social security and disability payments, alimony, etc. ARE considered income when calculating eligibility (AFI guidelines). Those payments are not earned income so they cannot be used for saving.]

B) NET WORTH TEST: Personal net worth as of the end of the calendar year preceding the determination of eligibility did not exceed $10,000, excluding the primary dwelling unit and one motor vehicle owned by the member of the household. Calculating net worth means considering everything you own that is of significant value, and determining how much you could sell all of it for. That amount cannot exceed $10,000.

<table>
<thead>
<tr>
<th>HOUSEHOLD MEMBERS</th>
<th>ANNUAL INCOME (200%):</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>$24,980</td>
</tr>
<tr>
<td>2</td>
<td>$33,820</td>
</tr>
<tr>
<td>3</td>
<td>$42,660</td>
</tr>
<tr>
<td>4</td>
<td>$51,500</td>
</tr>
<tr>
<td>5</td>
<td>$60,340</td>
</tr>
<tr>
<td>6</td>
<td>$69,180</td>
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</tbody>
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For each additional household member, add $8,840.
IDA AUTHORIZED USES

Qualified Business Capitalization Expenses: IDA match funds are used for qualified expenditures for the capitalization of the business. Listed below are what the business IDA can and cannot be used for:

1. The match funds can be used for rent, only if it is stated in the business plan.
2. The IDA match funds cannot be used for prior loans or other personal loans.
3. The IDA match funds can be used to lease business equipment.
4. The IDA match funds can be used on a credit card invoice, as long as the credit card is under the business name.
5. The IDA match funds can go into a bank account only if the bank account is in the business’ name and IDA participant can bring CCCS documentation of asset purchases.

Qualified Education Expenses: Listed below are what the $ave2Learn IDA can and cannot be used for:

1. The IDA match funds can be used for any accredited institution in the state of Arizona.
2. The match funds can be used for tuition, if the participant provides an invoice for the expenses.
3. The IDA match funds cannot be used to pay off student loans.
4. The IDA match funds can be used for books, fees and supplies, as stated in the class syllabus.
5. The IDA match funds cannot be used for housing expenses.
6. The IDA match funds cannot be used for parking and transportation expenses.
7. The IDA match funds can be used for classes aimed at a career goal. The match funds cannot be used for classes unrelated to a goal.

PROGRAM PROCEDURES

Program Requirements: Individuals and families, if determined to be income-eligible, must:

- Fill out an application (which includes a statement of net worth)
- Minimum of $25/month deposit into a savings account for a minimum of six (6) months.
• Must complete a course of Financial Literacy before drawing down match funds (budgeting, savings, credit cards, car loans, etc.) and provide documentation of completion.
• Agree to supply a current copy of their full credit file disclosure (business IDAs only) [Note: The Fair and Accurate Credit Transactions (FACT) Act entitles all consumers to a free credit file disclosure, commonly called a credit report once every 12 months from each of the nationwide consumer credit reporting companies: Equifax, Experian and TransUnion.] Credit report must not have any serious delinquencies (if report shows effort is being made to fix credit, delinquent accounts may not necessarily bar participation).
• For business IDA: finalized Business Plan approved through the Small Business Development Center (SBDC).
• Provide proof of residence (lease agreement or recent utility bill)
• Provide proof of income (2 months of pay stubs/business financial statements and recent tax return form is mandatory.)
• All account holders must have completed their savings requirements and purchased their qualified assets prior to the end of their program period. (Availability of some match funding may require an earlier completion date).

Acceptance into Program: Successful applicants will be confirmed as eligible participants by letter from CCCS. Participants must be eligible to open a savings account at participating financial institutions (Alliance Bank). A completed application, meeting eligibility qualifications and attendance at financial planning sessions do not guarantee match funds. Match funds, when available, will be committed in the form of a letter when participant has met program requirements and is ready to purchase their asset.

Credit (Business IDAs Only): CCCS reserves the right to reject any applicants whose credit reports have substantial credit repair issues which, in CCCS’ sole opinion, may seriously hinder the purchase of participant’s chosen asset at the end of the proposed savings period. CCCS may provide credit counseling or may make a referral to the local Consumer Credit Counseling organization for any participant with credit problems and, during the period of time that participant is an active IDA participant, he/she is required to work on credit repair.

Departure from the Program: If a participant is no longer interested in continuing in the program, is unable to keep up the required savings effort or moves out of Arizona, the participant will be asked to depart, or will be considered to have departed, the program. At departure, participants may take their savings account proceeds and close the account. Or the participant may continue his/her/their savings account as a normal savings account subject to the underlying rules, regulations and guidelines as set by the financial institution (fees for withdrawals and minimum balances). At voluntary departure from the program, a participant forfeits all previously earned match funds and interest and may not be eligible to receive future match funds through CCCS. Departure will be confirmed in writing to the participant and the financial institution.

IDA Advisory Council: CCCS may seek volunteers to participate in the IDA Advisory Council. Through the Advisory Council, or directly, CCCS may solicit input to assess program attributes from applicants and/or participants. The type of feedback sought might pertain to potential program changes, such as maintaining and/or adding financial institutions or other partners, or new participant recruitment.
Financial Literacy: All participants are required to complete a course of financial literacy training. CCCS offers two (2) options for participants to meet this requirement (resources may be changed by CCCS and notified to participant at any time):

1. Alison.com: Alison offers free online learning resources, which participants can access and complete at their own pace. Each module within the financial literacy curriculum equals one hour of training. Seven modules are available, so participants need to choose the five they prefer according to their particular interests. To document completion of each module, participants must provide CCCS-IDA staff with a copy of their completed end-of-module quiz, with a minimum score of 70 percent.

2. In-Class Financial Literacy Training (Recommended): When offered, CCCS or the Flagstaff Family Resource Center sponsored classes, or other local financial literacy trainings may qualify for meeting this training requirement. If classes are not sponsored by CCCS, participants who choose this option must provide CCCS-IDA staff with an adequate description of all trainings attended, including the date and time, the instructor’s name, organization, and contact information, and proof of attendance and successful completion (i.e. sign in sheet, certificate of completion, etc.).

SAVINGS ACCOUNT POLICIES

Savings Rates and Amounts: Participants must save at least $25 of earned income per month (but no more than $330 per month), for a minimum of six (6) months. Participants must set a saving goal, of which up to $1,000 may be matched for education and $2,000 for business, depending on the availability of funds. It is strongly recommended that participants continue saving even after reaching the maximum.

Savings Account Bank Statements: CCCS and participant will each receive a hard copy or electronic copy from the financial institution on a regular basis of the participant’s account statements.

Emergency Withdrawals: All emergency withdrawals must be approved in advance by CCCS and may only be those funds, or a portion of those funds, deposited in the account by the participant, and only for the following purposes:

1. Expenses necessary to obtain medical care for the participant, or a spouse or dependent of the participant;
2. Payments necessary to prevent eviction of the participant from, or foreclosure on the mortgage for, the principal residence of the participant;
3. Payments necessary to enable the participant to meet necessary living expenses (food, clothing, shelter-including utilities and heating fuel) following loss of employment.

Reimbursement of Emergency Withdrawals: A participant shall reimburse an IDA for any funds withdrawn from the account for an emergency withdrawal, not later than 12 months after the date of withdrawal. Failure to do so will result in forfeiture of match and termination from program.
Interest on Savings Accounts: All regular savings account interest belongs to participants and will be shown in their bank statements. Interest earned on committed match funds will also be credited at time of disbursement. However, savings account interest will not be matched.

Tax Refunds and Lump Sum Deposits: Tax refunds may be used as savings eligible for match funds and may be placed into the IDA Account. Match funds will only be credited on that deposit if the lump sum deposit amount either remains in the account for the minimum required time or the participant has been consistently saving, with no emergency withdrawals for the minimum required time.

Missed Deposits: CCCS understands that circumstances (job loss, medical expenses, etc.) may arise preventing a participant from making continuous monthly deposits during the required six month saving period. Participants are required to contact CCCS if they anticipate not being able to make a monthly deposit. In the event a participant misses a monthly deposit, their required saving period may be reset to six months, unless prior arrangements have been made with CCCS-IDA staff. Multiple missed payments can be cause for termination from the program, or for the release of match funds to other savers who are ready to make an asset purchase. However, if a participant does not get paid every month, that discussion should be held with CCCS-IDA staff during the application process. CCCS reserves all rights in determining whether multiple missed payments will result in a loss of match funds or a participant’s termination from the program. Participants must show that they are COMMITTED to this program in order to stay in it.

Leave of Absence: Participants are encouraged to contact CCCS if they require a leave of absence from the program. In such an event, the participant must contact CCCS staff and request a Leave of Absence Form. The Leave of Absence Form must be filled out completely and approved by CCCS staff. The maximum time for a leave of absence is six months. CCCS reserves all rights in the approval of the Leave of Absence and reinstatement into the program.

MATCH FUNDS POLICIES

Match Funds Rate: In $ave2Learn, for every dollar ($1.00) saved regularly (on a monthly basis) by a participant held continuously (no withdrawals) in an IDA savings account, CCCS will match $3.00 from the required account that holds match funds up to the maximum match of $3,000 subject to program guidelines and limitations stated elsewhere. For business IDAs, participants will be matched $2.00 for every $1.00, for a maximum match of $4000 subject to program guidelines and limitations stated elsewhere.

Match Funds Held by CCCS: Match funds and match funds’ interest will not be placed in the participant’s IDA savings account and will not be accessible to the participant. Match funds and interest will be held by CCCS on behalf of the participant in the applicable custodial bank account(s) and/or central or local reserve accounts or parallel accounts as required by funding sources until ready to be expended on eligible asset purchases.
**Match Funds Reports:** CCCS will provide participants periodic statements that indicate their match funds earned and interest credited.

**Interest on Match Funds:** Committed match funds will earn interest on behalf of the participant that will be calculated and credited on a monthly or quarterly basis equal to the interest paid to the participant on his/her/their savings account as long as the participant is regularly saving.

**Claiming Match Funds:** Match funds may be requested for approved uses after the participant has been saving regularly (on a monthly basis) and continuously (they have saved every month with no withdrawals) for at least six (6) months. Participants must also complete any required asset-specific training, including completion of a financial literacy workshop, prior to receiving match funds.

**Use of IDAs & Match Funds:** Match funds will be released for any approved purpose providing there is an appropriate distribution from the participants’ savings account for the approved purpose to third parties at time of asset acquisition.

**Forfeiture of Match Funds:** If an IDA participant voluntarily departs the program at any time without having used the match funds for approved purposes or is terminated from the program, the match is forfeited.

**Transfers of Individual Development Accounts to Family Members:** Match funds are for the sole use of the participant(s) and are not the property of participants or their relatives, heirs or creditors.

At the request of the participant and with approval of CCCS, savings in the IDA savings account may be paid directly into another such account established for an eligible individual who is a) the participant’s spouse or b) any dependent of the participant for whom the participant is allowed a deduction (under Section 151 of the Internal Revenue code of 1986). In case of such a transfer, the participant and not the recipient will only pay earned match funds for qualifying expenses; in case of the participant’s death, match funds earned may be transferred and credited to decedent’s heir, if qualified as a participant, upon approval of CCCS.

**Transfers between IDA Options:** Account Holders in good standing who are unable to meet the goals of their savings plan agreements (for example, credit issues may prevent home purchase) may request a savings goal change to another asset and permission may be granted at the sole discretion of CCCS.

**NOTE:** CCCS obtains match funds from various funders. If for any reason these match funds are no longer available, CCCS shall not be held liable for any loss of accrued match funds and shall be under no obligation to obtain funds from another source.
IDA QUALIFIED WITHDRAWAL REQUIREMENTS (by asset type):

FINANCING POST-SECONDARY EDUCATION OR TRAINING (ED IDAS)

Participants using their IDA Savings Account and Match Funds for financing post-secondary education or training should be accepted into a degree or certificate-granting program or enrolled in a course of study within six (6) months of startup of their savings for Match Funds. Following are the procedures for authorized use and withdrawal of Match Funds for “ED IDAs”.

1. Account Holders must have completed the required financial literacy workshop (certificates of completion are valid for two years). Such participants may remain as IDA Account Holders for future use of matches for education purposes as long as they continue to save under the guidelines of the IDA Program and do not exceed the match limit.
2. The IDA Account Holder must provide written proof of acceptance into a degree or certificate-granting program or enrollment in a course of study at an Institution of higher learning.
3. The IDA Account Holder must present CCCS with an invoice for the cost of tuition for a course or series of courses (a semester of study, for example).
4. The IDA Account Holder must present evidence that one quarter of the cost of the invoice, up to the amount in the Account Holder’s savings account, has been paid from the participant’s IDA savings account. Evidence can be a copy of a check or money order and receipt from the educational institution. Match funds will be released on a $3.00 for $1.00 saved basis. Upon receipt by the Program Officer of proof of expenditure of funds in the IDA savings account, the remaining invoiced amount will be paid up to the match amount. At CCCS’s sole discretion, additional submissions may be required of the Account Holder showing their expenditure of an amount equal to their savings.
5. Submission of an authorized withdrawal form requesting the withdrawal and for what purposes(s).

BUSINESS CAPITALIZATION WITHDRAWALS

IDA participants saving to capitalize a business must spend the time they are saving to complete a business plan. Because small business startup is so risky and because attaining a profit in a business is a complex process, applicants interested in business capitalization must be involved in a business development organization. Following are requirements for authorized use and withdrawal of IDA match funds for the capitalization of a business. Other funding source requirements may supersede these requirements as appropriate.

1. Account Holders must have completed the required financial literacy workshop (certificates of completion are valid for two years). Such participants may remain as IDA Account Holders for future use of matches for education purposes as long as they continue to save under the guidelines of the IDA Program and do not exceed the match limit.
2. A Business Plan. The business plan is often part of a business training course and is prepared during attendance. For persons whose business is already in operation, an updated business plan and sales projections are required. Business plans must show
that the expenditure of match funds and participant’s own savings will increase the
profitability of the business and to provide (or continue to provide) earned income
(salary or wages) and profit to the participant. Match funds may be used for actual
purchase of equipment, raw materials or other hard costs as appropriate for the use of
equity. Participant’s own savings account may be used as equity in any way related to
capitalizing the business.

3. Submission of a Qualified Withdrawal Form requesting the withdrawal and for what
purpose(s).

4. Presentation to CCCS of an invoice or invoices for purchases of equipment, raw
materials or other hard cost expenses of the business. The IDA Account Holder must
present evidence that one third of the cost of the invoice, up to the amount in the
Account Holder’s savings account, has been paid from the participant’s IDA savings
account. Match funds will be released on a $2.00 for $1.00 saved basis with the
expenditure of funds from the IDA participant’s savings account. An invoice may show
that one-third of the invoice amount has been paid for by the IDA participant. The
remaining invoiced amount will be paid upon receipt by program staff of proof of use of
funds from the savings account by the IDA Account Holder (receipt by CCCS of a copy of
a check or money order showing payment of one-third of the invoice by the participant
up to the amount of the participant’s IDA savings account). At CCCS’ sole discretion,
additional submissions may be required of the participant showing their expenditure of
an amount equal to their savings for capitalization costs.

5. Participants are urged to pursue structured business training and networking
opportunities. These can include: Small Business Development Center (SBDC) courses,
Cooperative Extension programs, peer lending circles, small business clubs, joint
purchasing groups, etc.
IDA PROGRAM GUIDELINES ACKNOWLEDGEMENT

I have read and understood or have had the forgoing explained to me to my satisfaction and understand the contents of the IDA Program Guidelines, and hereby agree to its terms and conditions.

__________________________________________________________
Participant’s Name (Please Print)  Date

__________________________________________________________
Participant’s Signature