

## Individual Development Account (IDA) Program

<p><b>Program Overview</b></p>	<p>An Individual Development Account (IDA) is a matched savings account that enables income eligible families to buy a first home, pay toward the cost of post-secondary or vocational training, or to start a small business.</p> <p>A “savings match” supplements an IDA participant’s saving deposits by matching one dollar for every dollar saved of earned income over a one to five year period.</p>
<p><b>Eligible Sponsor Requirements</b></p>	<p>Non-profit agencies are eligible to administer the program. Selected organizations operate as sub-grantees in delivering IDA services.</p>
<p><b>Size of Grants</b></p>	<p>The average grant is approximately \$100,000 for a five-year contract period. The grant award represents match savings only. No administrative funds are available at this time.</p>
<p><b>Eligible Participants and Maximum Income Limits</b></p>	<p>Income eligible NJ residents participating in the program must have at least one minor child, be employed for at least 20 hours per week and have a household gross income that is equal to or less than 250 percent of the Federal Poverty Level at the time of their enrollment. (<a href="#">See IDA Income Guidelines</a>).</p> <ul style="list-style-type: none"> <li>▪ All sources of household income are included, except for income received by persons under age 18 and income received by dependents enrolled in a full-time undergraduate program.</li> <li>▪ Earned income is any taxable wages, salaries, tips, net earnings from self-employment and/or gross income received. Other sources of household income include: <ul style="list-style-type: none"> <li>▪ Interest and dividends;</li> <li>▪ Pensions and annuities;</li> <li>▪ Social Security and railroad retirement benefits;</li> <li>▪ Alimony and child support;</li> <li>▪ Welfare benefits;</li> <li>▪ Workers Compensation benefits;</li> <li>▪ Unemployment Compensation (insurance); or</li> <li>▪ Veteran’s benefits.</li> </ul> </li> </ul> <p>No household shall be eligible for assistance in the event of open and or ongoing bankruptcy proceedings.</p>
<p><b>Match Ratio</b></p>	<p>The IDA program provides a State match rate of <b>one</b> dollar for every dollar of earned income deposited by a participant into an individual development account. The maximum amount provided as a match per account is <b>\$4,500</b> over a five year period. Deposits in excess of <b>\$1500</b> per calendar year are not eligible for a match. An asset must be purchased and funds expended five years from the enrollment date.</p>
<p><b>Financial Education</b></p>	<p>It is a program requirement that all participants complete a minimum 10 hours of basic financial education. In addition to basic financial literacy education, each IDA participant is required to complete a minimum of 6 hours of asset–goal specific education, prior to their selected asset purchase.</p> <p>No match funds will be awarded prior to certification that the financial education requirements have been satisfied.</p>

<p><b>Account Structure</b></p>	<p>Federal and state law requires that IDAs be established as custodial accounts. As a "custodial account", the account is jointly owned by the participant and the sponsoring agency. Participants must make regular deposits and may not make withdrawals without the written consent of the sponsoring agency.</p> <ol style="list-style-type: none"> <li>1. Custodial account ownership distinguishes IDAs from other savings accounts and emphasizes the unique nature and asset-oriented purpose of the IDA account.</li> <li>2. Accounts earn an interest rate that reasonably reflects the prevailing market rate on amounts deposited by the participant.</li> <li>3. Administering agencies, as trustees, maintain current account information to include account balance, record of deposits and withdrawals made by the participant and the current match level.</li> <li>4. Custodial account ownership distinguishes IDAs from other savings accounts and emphasizes the unique nature and asset-oriented purpose of the IDA account.</li> <li>5. Accounts earn an interest rate that reasonably reflects the prevailing market rate on amounts deposited by the participant.</li> <li>6. Administering agencies, as trustees, maintain current account information to include account balance, record of deposits and withdrawals made by the participant and the current match level.</li> </ol> <p>Savings are established in a separate IDA reserve account in trust for participants in a designated insured financial institution.</p>
<p><b>Saving Plan Agreements and Requirements</b></p>	<p>Upon acceptance into the IDA Program, each participant is required to complete a Savings Plan Agreement, which acts as a written contract. The saving plan agreement establishes the minimum monthly deposit amount and the maximum monthly deposit amount for individual participants during their participation in the program. Failure to comply may result in termination dependent upon date of account opening.</p> <p>IDA Program Savings Plan Agreement offer at least the following two options for saving:</p> <ol style="list-style-type: none"> <li>1. Regular Weekly Deposits</li> <li>2. Regular Bi-Weekly Deposits</li> <li>3. Regular Monthly Deposits</li> </ol>
<p><b>Missed Deposits</b></p>	<p>After three missed deposits, at the discretion of the administering agency, a participant may forfeit his/her right to receive matching funds on his/her savings and continue enrollment in the IDA Program.</p>
<p><b>Account Withdrawals</b></p>	<p>If the participant withdraws any funds from the account and uses the funds, or any part of the funds, for a purpose other than that permitted and approved, the participant forfeits all matching funds associated with the unapproved withdrawal.</p> <p>Matching funds are provided in the form of a joint check or transfer of funds. The check or transfer is made payable to the vendor or payee of the approved withdrawal at the time the participant withdraws funds.</p>

<p><b>Time Limits and Match Caps</b></p>	<p>All IDA participants must save for a minimum six months before they may make their withdrawal for the qualified asset purchase. The length of time an IDA participant may be considered active, and therefore eligible for match, varies depending on the savings rate of the individual participant. While most accounts are active for five years, participants may opt to be active for less than five years.</p> <p>Program guidelines require that match funds be expended six months after the five-year savings period or the participant will forfeit the State portion of the match funds.</p>
<p><b>Examples of Qualified Expenses</b></p>	<p>Acquisition costs, appraisal fees, attorney fees, closing costs, title insurance, and other customary expenses. Start up inventory, supplies or equipment, marketing materials, licensing fees and other materials included in an approved business plan. Tuition, registration fees, books, lab fees, supplies or equipment directly related to coursework.</p>
<p><b>Unqualified Expenses</b></p>	<p>The purchase of general land acquisition or trailers.</p>
<p><b>IDA Definitions</b></p>	<ul style="list-style-type: none"> <li>▪ <b>“Community-based organization”</b> is defined as: a not-for-profit organization described in section 501c (3) of the Internal Revenue Code of 1986 (26 U.S.C. s.501c) (3) and exempt from taxation under section 501(a) of the Internal Revenue Code of 1986 (26 U.S.C. s.501 (a)), that is approved by the commissioner to implement the New Jersey Individual Development Account Program established under P.L.2001, c.093 (A2143 2R ACS) CHAPTER 93.</li> <li>▪ <b>“Department”</b> is defined as: the Department of Community Affairs.</li> <li>▪ <b>“Education”</b> is defined as: A post-secondary program of instruction provided by a college, university, community college, area vocational-technical school, professional institution or specialized college or school legally authorized and accredited.</li> <li>▪ <b>“Eligible participant”</b> is defined as: an adult with at least one minor child whose annual household gross income is 250% of the federal poverty level.</li> <li>▪ <b>“Enrolled”</b> is defined as: a participant receiving case management services (e.g. ongoing counseling, asset specific financial education training) through the IDA program.</li> <li>▪ <b>“Financial education”</b> is defined as: a basic understanding of budgets and savings accounts, credit and interest and how to use financial services; and having a savings plan and using it to reach the account holder’s savings goal for an individual development account.</li> <li>▪ <b>“Financial institution”</b> is defined as: a state or federally chartered bank or credit union with an office in New Jersey.</li> <li>▪ <b>“First-Home Purchase”</b> is defined as: a principal residence for a qualified first-time homebuyer.</li> <li>▪ <b>“Fund”</b> is defined as: the Individual Development Account Fund established pursuant to 42 U.S.C. s.604(h) and 45 C.F.R. Part263 (45 C.F.R. s.263.0 et seq.) in trust for an eligible individual pursuant to the “Multiple-party Deposit Account Act,” P.L.1079, c.491 (C.17:161-1 et seq.).</li> </ul>

	<ul style="list-style-type: none"> <li>▪ <b>"Household"</b> is defined as: all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.</li> <li>▪ <b>Postsecondary Vocational Education School</b> is defined as: an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4)))</li> <li>▪ <b>"Program"</b> is defined as: the New Jersey Individual Development Account Program.</li> <li>▪ <b>"Reserve fund"</b> is defined as: the individual development account created by a community-based organization for the purpose of: funding the costs incurred in the administration of the program; receiving matching funds from the State; and for providing matching funds for individual development accounts.</li> </ul>
<p><b>Sponsor Responsibilities</b></p>	<ul style="list-style-type: none"> <li>▪ Designate a lead person to serve as liaison with the Department and to manage the daily operations of the IDA project.</li> <li>▪ Negotiate agreements with community partners, including financial institutions in accordance with program policy and procedures.</li> <li>▪ Undertake recruitment, enrollment and orientation, training and support to IDA participants, and asset purchase assistance.</li> <li>▪ Provide participants with information on savings, interest and match amount and assist IDA participants to open IDA accounts and hold custodial accounts along with IDA savers.</li> <li>▪ Secure written IDA participant contracts, outlining savings and match commitments. Asset goal and other required information.</li> <li>▪ Monitor program participant monthly savings activity in an effort to maximize timely deposits</li> <li>▪ Approve the qualified withdrawal process, including the release of match funds from participant accounts.</li> <li>▪ Maintain information in participant files, including case notes, savings goals, savings agreements, monthly statements, completion of financial education classes, and other information necessary for program maintenance.</li> <li>▪ Publicize IDA activities through press releases and other marketing materials.</li> <li>▪ Submit reports, as specified by the Department.</li> <li>▪ Assist with monitoring and evaluation activities via phone, data reporting, and on-site visits.</li> </ul>
<p><b>Deadline for Submission of Application</b></p>	<p>Applications must be submitted electronically in SAGE by end of business on August 14, 2009. Hard copy attachments must be postmarked no later than August 14, 2009.</p>

<p><b>Evaluation Criteria</b></p>	<p>Applications will be subject to a threshold review to determine eligibility for the IDA Program. Applications that do not meet the threshold requirements will be deemed ineligible for further consideration.</p> <p>Eligible applications will be reviewed by staff from DCA. Applications will receive a maximum of <b>100 points</b> scored under the following categories:</p> <p><b>Applicant Capacity (25 Points)</b></p> <ul style="list-style-type: none"> <li>▪ An organizational focus and historical success in operating human services programs? (0-5 points)</li> <li>▪ An analysis of the local need for an IDA programs? (0-3 points)</li> <li>▪ Administrative capacity to operate a quality IDA program? Organizational chart identifying reporting authorities is required. Résumé(s) of staff assigned to IDA program is required. (0-5 points)</li> <li>▪ Proven record of success with other projects administered through DCA and or HMFA (0-2 points)</li> <li>▪ An ability and commitment to maintain administrative and support services costs? (0-5 points)</li> <li>▪ The capacity to leverage financial resources to successfully aid participants in home ownership? (0-5 points)</li> </ul> <p><b>Readiness to Proceed (10 points)</b></p> <ul style="list-style-type: none"> <li>▪ The implementation timeline is likely to ensure and obligation of all funds through contractual agreements within 12 months of commitment. (10 points)</li> </ul> <p><b>Program Design (40 points)</b></p> <ul style="list-style-type: none"> <li>▪ The proposal demonstrates how asset acquisition will contribute to the larger goal of economic independence, return on investment, community development, and reduction of poverty? (0-5 points)</li> <li>▪ The proposal describes proposed recruitment, orientation, screening, eligibility determination and participant prioritization processes in a manner that reduces the burden on applicants and selects those most likely to succeed? (0-5 points)</li> <li>▪ The proposal describes financial education training that will be provided and <b>a sample of relevant curriculum materials</b>. The IDA program sponsor is required to provide financial literacy training with very specific curriculum elements. (0-10 points)</li> <li>▪ The proposal describes the asset specific training that will be provided and <b>a sample of relevant curriculum materials</b>. The IDA program sponsor is required to provide asset-specific training based upon the savings goal referenced in the savings plan. (0-10 points)</li> <li>▪ The proposal describes, if any, supplemental elements to the financial literacy training curriculum. Supplemental elements to the financial literacy training beyond the minimum may increase the score of the proposal to the extent they represent value to the account holder. (0-5 points)</li> </ul>
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	<ul style="list-style-type: none"><li>▪ Provides a description of financial or non-financial agreements with other organizations that will assist account holders to achieve savings objectives. <b>Submit a letter of intent</b> from all proposed partnering financial institutions. (0-5 points)</li></ul> <p><b>Case Management (25 Points)</b> Applicant describes ongoing dedicated case management throughout program participation. The description should identify caseloads and at least the following elements:</p> <p><b>Savings Plans</b></p> <ul style="list-style-type: none"><li>▪ Assisting accountholders to develop and revise as necessary their individual savings plans and related agreements to achieve asset building goals.</li></ul> <p><b>Crisis intervention:</b></p> <ul style="list-style-type: none"><li>▪ Working with accountholders to address emergency situations that might arise by developing alternative strategies to prevent emergency withdrawals of savings from IDA accounts.</li><li>▪ Reviewing monthly account statements from banks with account holders, and providing ongoing counseling on questions concerning deposits, withdrawals, budgeting, checking, permissible savings goals and related approved expenses.</li></ul> <p><b>Credit Counseling</b></p> <ul style="list-style-type: none"><li>▪ Applicant described the provision of, or arrangements for, credit counseling that includes but is not necessarily limited to the following:<ul style="list-style-type: none"><li>- Credit history assessments</li><li>- Credit repair assistance</li><li>- Credit stability counseling</li></ul></li></ul>
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7/2/2009