

**LOW-INCOME FAMILIES BUILDING ASSETS:  
Individual Development Account Programs  
Lessons and Best Practices**

**SUMMARY REPORT**

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- The Asheville Affordable Housing Coalition and Mountain Microenterprise Fund
- Cabarrus County CDC and the Rowan-Iredell Credit Union
- Charlotte-Mecklenburg Department of Social Services
- Choanoke Area Development Association (CADA)
- The Experiment in Self-Reliance and Forsyth County Department of Housing
- East Carolina Community Development, Inc.
- Edgecombe County Department of Social Services
- Lexington Housing CDC
- Northwestern Regional Housing Authority
- Passage Home
- Southeastern Community College

We would also like to thank the staff of the NC Department of Labor and the NC Department of Commerce Division of Community Assistance for responding to our many requests for program data and other information. Lastly, our thanks go to Amber Neill and Scott Greeley for their invaluable editorial and analytical assistance.

# **LOW-INCOME FAMILIES BUILDING ASSETS: Individual Development Account Programs Lessons and Best Practices**

*“I believe that if it hadn’t been for the IDA program and the IDA staff, we probably would have fallen through the cracks again – not qualifying for this program or that program. This was exactly the right thing for us. This program has worked so well for me, I’m going to shout it from the rooftops.”*

*~New Homeowner, Experiment in Self-Reliance and Forsyth County Department of Housing IDA Program*

## **INTRODUCTION:**

Individual Development Accounts (IDAs) provide low-income working families a means to save towards the purchase of a major asset: a home, a small business, or an investment in education or training that can lead to a better job. In addition to the benefits of those assets, participating families develop a savings habit that can lead to future financial security. Since 1998, twenty-four IDA programs have improved the lives of hundreds of North Carolina families and given them the means to acquire an asset that most thought beyond their reach.<sup>1</sup>

According to the North Carolina Department of Labor, as of May 2002 712 North Carolinians were either current IDA accountholders or had graduated from the program, with another 227 participants pending enrollment. Since IDA programs began in 1999, the 170 people completing an IDA program had purchased 136 homes, started or expanded 30 small businesses, and made four educational investments. These 170 IDA program graduates had saved an aggregate \$239,750 and received over \$668,000 in matching funds. The value of homes purchased by IDA participants completing the program approached 8 million dollars.<sup>2</sup> While exact numbers of participants are difficult to ascertain as new accountholders constantly enter the program while others graduate, our research shows that as of September 2002, North Carolina’s IDA programs had approximately 540 active participants and the number of graduates had risen to 220.

This Summary Report distills the key findings of a longer report that evaluates the experience of Individual Development Account (IDA) programs across the state of North Carolina.<sup>3</sup> Both the full report and this summary report were prepared by the Center for Urban

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<sup>1</sup> Since IDA programs started in the state, 24 programs have operated. Now that two programs have closed, the state currently has 22 IDA programs with several new programs on line to open in the fall of 2002.

<sup>2</sup> From correspondence from Charlotte Gardner, former IDA, TANF, and Special Projects Coordinator at the NC Department of Labor to Pheon Beale, Director of Social Services in the NC Department of Health and Human Services dated May 7, 2002.

<sup>3</sup> L. Gorham, R. Quercia, W. Rohe, J. Toppen, “Low-Income Families Building Assets: Individual Development Account Programs Lessons and Best Practices.” To order or download copies of the full report, see ordering

and Regional Studies at the University of North Carolina at Chapel Hill with the support of the North Carolina Rural Economic Development Center. This summary report addresses the following questions:

- What can be learned about successful IDA program design and implementation? What does this tell us about best practices in the field?
- Who is participating in IDA programs and what has been their experience? What effect have IDAs had on the communities in which they operate?
- Are there significant differences between rural and urban IDA programs in terms of who participates or what seems to work best for program implementation?
- What policy recommendations for public officials, funders, and local program officials flow out of our findings?

In order to address these questions, we relied on several sources of information. First, we developed a survey for IDA program directors that asked them about the experience of their program and its participants. A total of nineteen programs responded to this survey. Second, to get a more in-depth look at how IDA programs operate and their impact on participating families and communities, we conducted site visits to the following eleven IDA programs:

- The Asheville Affordable Housing Coalition and Mountain Microenterprise Fund
- Cabarrus County CDC and the Rowan-Iredell Credit Union
- Charlotte-Mecklenburg Department of Social Services
- Choanoke Area Development Association (CADA)
- The Experiment in Self-Reliance and Forsyth County Department of Housing
- East Carolina Community Development, Inc.
- Edgecombe County Department of Social Services
- Lexington Housing CDC
- Northwestern Regional Housing Authority
- Passage Home
- Southeastern Community College

Third, we interviewed personnel and written materials from state agencies and from the North Carolina IDA and Asset-Building Collaborative (the Collaborative) to obtain a more state-wide perspective. We also attended meetings of the Collaborative which were invaluable in keeping us abreast of new and current IDA initiatives in the state. Finally, we obtained IDA account holder data that was furnished to the NC Department of Labor by individual IDA sites. While unfortunately these data do not include information on all IDA participants due to incomplete records (we had data for 433 participants compared with the total of 751 participants cited by the NC Department of Labor), they did provide important information on the characteristics of IDA program participants.

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information above. This report is the second IDA evaluation report conducted by the Center for Urban and Regional Studies and builds on an earlier report published in 1999: S. Jennings, E. Kehrberger, R. Quercia, W. Rohe, and M. Stegman. "Helping Families Build Assets: The Implementation of Individual Development Accounts in North Carolina."

## Why an Asset-Building Approach?

IDA programs represent a significant shift in policy from an income-based to an asset-based approach. Over the past decade, the debate over how best to alleviate poverty has placed increasing attention on asset-building strategies as an important component of a comprehensive approach to providing upward mobility for low-income families. Income maintenance programs such as Temporary Aid to Needy Families (TANF) provide a vital support for families and keep many of our poorest children from experiencing hunger and homelessness. However, even the strongest advocates of income support recognize that complementary approaches are needed to help families leave poverty behind. In light of the new time limits placed on the receipt of income support, there is an urgent need for IDAs and other asset-based approaches to poverty alleviation.

*“The IDA program got us out of our apartment and into a nice neighborhood. The house is nice and there’s a yard for the kids to play in. We have economic security. The IDA program made the difference between buying and not buying because we needed help with the closing costs. What I learned about money management was critical – I wish I’d learned it sooner in life.”*  
 ~ New homeowner, Asheville-Buncombe Housing Coalition IDA Program

The asset-building approach rests on the recognition that a key component of the ability of many families to improve their economic well-being lies in their ability to acquire assets that can form the basis for future financial security. A growing body of research suggests that asset ownership has a variety of positive effects including: a reduction in the transfer of poverty from one generation to the next; an increase in educational attainment and in household stability; a decline in high-risk behaviors; and an increase in expectations about the future and a longer-term planning horizon.<sup>4</sup>

Public policy has long encouraged asset acquisition through a variety of means. The Homestead Act in the late nineteenth century granted 246 million acres of land to 1.5 million households. The GI Bill following World War II helped returning soldiers attend school and improve their education as well as to purchase homes. The mortgage interest tax deduction bestowed approximately 75 billion dollars in benefits to homeowners in 2000 alone. Tax benefits given to retirement accounts in 2000 were worth another 123 billion dollars, while tax benefits for investments and business property were worth an additional 89 billion dollars. Such public programs and policies have provided the basis for upward mobility for millions of American families.<sup>5</sup>

Understood in the broader context of public policies that support asset acquisition, the purpose of asset-building programs aimed at low-income families is not to accord a special privilege to the poor. Instead, programs such as Individual Development Accounts extend a benefit to low-income families that is already available to the vast majority of middle and upper income families. If, for a relatively small investment, we can “jump start” families out of

<sup>4</sup> The Corporation for Enterprise Development, Building Assets: A Report on the Asset-Development and IDA Field, p. 2.005.

<sup>5</sup> Ibid pp. 2.015-2.017.

poverty through the process of asset acquisition and thus reduce the social and economic costs of poverty, the benefits will accrue to all families.

Growing support of the asset-building approach is reflected in the dramatic increase in the number of IDA programs across the country and in the level of financial support they have received. Through the Assets for Independence Act (AFIA), federal funding for IDA programs currently totals 45 million dollars.<sup>6</sup> According to the Corporation for Enterprise Development (CFED), IDA programs now operate in 47 states and in several foreign countries. Statewide IDA coalitions or collaboratives exist in 32 states. CFED also estimates that, as of December 2001, more than 10,000 people were saving in an IDA account. At least 350 organizations sponsor IDA program with approximately 100 programs under development.<sup>7</sup>

### **How do Individual Development Account Programs Work?**

Individual Development Account programs provide an institutional means for low-income working families to save money on a monthly basis towards the purchase of an asset such as a home or small business or investing in further education. Typically, IDA program participants sign a contract with the IDA program that commits them to save a minimum amount each month towards their total savings goal of \$1,000. Reaching their savings goal may take anywhere from one to three years depending on family circumstances. Once the savings goal is reached, the IDA program matches the family's savings at a ratio that varies anywhere from 1:1 to 8:1 depending on the resources available to the individual IDA program. In our research on North Carolina programs, we found that a match ratio of 2:1 is fairly standard across programs.

Individual Development Account programs typically include three major components. First, a local community organization takes the lead in establishing the IDA program and securing the necessary funds both for program administration and for matching the savings of participants. The community organization also recruits participants and provides them with the necessary counseling and support they need to complete the program. Second, this lead community organization recruits one or several local financial institutions to provide and manage the savings accounts of IDA participants. Third, a financial literacy component is either provided by the lead community organization or by an outside provider, or often by some combination of the two.

*“The economic literacy classes made a great deal of difference. Through the classes on budgeting and saving, I learned all about credit. I don’t think the program could get any easier or any better. I’ve talked to many of my friends and coworkers about the program, everybody I can.”*

*~ New homeowner, Edgecombe County Department of Social Services IDA Program*

<sup>6</sup> The Corporation for Enterprise Development, Building Assets: A Report on the Asset-Development and IDA Field, p. 6.086.

<sup>7</sup> Ibid, p. 1.002

### Individual Development Account Programs in North Carolina

In North Carolina, several major IDA demonstration programs are underway. The North Carolina IDA and Asset-Building Collaborative (the Collaborative) has advocated for program funding and provided technical assistance to IDA program statewide. The Collaborative is an informal but well-organized group of some of the state’s leading economic development organizations, as well as local IDA programs themselves.<sup>8</sup> The work of the Collaborative has been supported by the Z. Smith Reynolds Foundation and the Fannie Mae Foundation.

Two IDA demonstration programs began in 1998-99. One was administered by the North Carolina Department of Commerce with funding from the federal Department of Housing and Urban Development’s Small Cities Community Development Block Grant program (CDBG). The other was administered by the NC Department of Labor with funding from the North Carolina General Assembly. The state has also received two grants from the federal Department of Health and Human Services under the Assets for Independence Act that the NC Department of Labor administers. The North Carolina Housing Finance Agency has also made homeownership funds available to IDA programs. A new, second round of CDBG money is in the process of being awarded to ten local IDA programs. The funds made available to local IDA programs from these sources total \$4,248,000.<sup>9</sup>

<b>Source of Funds</b>	<b>Amount</b>
NC General Assembly	\$ 600,000
Department of Commerce Small Cities Community Development Block Grants, two separate allocations.	240,000 500,000
Federal Assets for Independence Act funds administered through NC DOL, two separate program grants.	331,785 666,215
North Carolina Housing Finance Agency:	
1. NC Housing Trust Fund	500,000
2. Mortgage Revenue Bond Program	1,400,000
<b>Total</b>	<b>\$4,248,000</b>

At the start of our investigation in late 2001, we identified twenty-four North Carolina IDA programs with the assistance of the North Carolina IDA Collaborative and the North Carolina Department of Labor (Table 2). Over the past year, three programs have closed or are in the process of closing (those operated by Community Developers of Beaufort-Hyde, East Carolina Community Development, Inc., and the Northwestern Regional Housing Authority),

<sup>8</sup> In addition to local IDA programs that are some of the most active members of the Collaborative, active statewide partners in the Collaborative include the North Carolina Rural Economic Development Center, the Corporation for Enterprise Development, the NC Departments of Labor and Commerce, the NC Justice and Community Development Center, the NC Housing Finance Agency, the North Carolina Community Development Initiative, the NC Office of Economic Opportunity, and the NC Division of Social Services. The Self-Help Credit Union, North Carolina Equity, the NC CDC Association, and the NC Low-Income Housing Coalition were also actively involved in getting the Collaborative started.

<sup>9</sup> This figure includes an allocation of \$600,000 from the NC General Assembly, \$240,000 in the initial allocation of CDBG funds, \$500,000 from the second allocation of CDBG funds, and just under \$1,000,000 in AFIA funds.

leaving twenty-one that are continuing to enroll participants. Since our evaluation results include information on all twenty-four of the original programs we identified, we may make reference to this larger number of programs. Also, the analysis and findings presented below apply to this larger universe of programs. In instances when our discussion only applies to the remaining twenty-one programs, we note this.

IDA programs are located in a variety of geographic areas across the state (Table 2 and Figure 1). Local organizations have created IDA programs in urban and rural parts of the mountainous western region, the large and small cities of the north and south central piedmont, and the small cities and rural areas in both the northeast and southeast regions. The geographic scope of IDA programs also varies and ranges from one program that serves a single public housing complex in Wilmington to several programs that serve large multi-county regions.

If we include all twenty-four IDA programs, IDAs have been available in 52 of North Carolina's 100 counties with eight programs serving exclusively urban counties, 13 serving only rural counties, and the remaining three programs serving a mix of both urban and rural counties.<sup>10</sup> IDA programs have served 10 of the state's 15 urban counties and 42 of the state's 85 rural counties. Of the 42 rural counties with IDA programs, 27 are in distressed counties.<sup>11</sup> The three IDA programs that have closed over the past year or are in the process of discontinuing their IDA programs all serve rural counties. Their closure will result in 11 fewer rural counties being served by an IDA program, eight of them in distressed counties. This will bring the total number of rural counties served down to 31 out of 85 and the number of distressed counties down from 27 to 19.

*"In order to save for the IDA, we were down to the bare minimum. We cut back on everything that we could. We never thought about involving the kids but then they had a family night and encouraged us. Our three kids stopped getting their allowance because we told them we were saving for a house. The youngest, who is nine, would tell the older ones not to ask Mommy for money. Now that we have a house, my husband is planting flowers and redoing the grass. I'm giving out the number and telling everybody about the program."*

*~ New homeowner, Choanoke Area Development Association (CADA) IDA Program*

<sup>10</sup> We use the North Carolina Rural Economic Development Center's definition of rural counties as those with less than 200 residents per square mile based on 2000 Census data. Of North Carolina's 100 counties, 85 are defined as rural using this definition. North Carolina's 15 urban counties are Alamance, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Durham, Forsyth, Gaston, Guilford, Mecklenburg, New Hanover, Orange, Rowan, and Wake.

<sup>11</sup> Data on distressed counties is taken from the NC Rural Economic Development Center website: [www.ncruralcenter.org](http://www.ncruralcenter.org). Distressed counties are designated annually by the NC Department of Commerce in accord with the William S. Lee Quality Jobs and Expansion Act.



## PRINCIPAL FINDINGS:

We have divided our findings into two sections: Achievements, and Challenges. Following this, we present our principal recommendations and divide these also into two sections: recommendations for statewide coordination, oversight, and funding; and recommendations for local program implementation.

### **Achievements:**

**IDA programs have attracted \$4,248,000 in state and federal resources, including one million dollars in federal funding that represents new monies for the state.**

**North Carolina currently has 22 operating IDA programs with several more slated to open in late 2002 or early 2003.** Thanks largely to the efforts of the NC IDA and Asset-Building Collaborative (including the NC Department of Labor and the NC Division of Community Assistance in the Department of Commerce), IDA programs currently serve 33 rural counties and 10 urban counties.

**According to the North Carolina Department of Labor, since IDA programs began in 1999 the first 170 people completing an IDA program had purchased 136 homes, started or expanded 30 small businesses, and made four educational investments.** These 170 IDA program graduates had saved an aggregate \$239,750 and received over \$668,000 in matching funds. The value of homes purchased by these IDA participants approached 8 million dollars.<sup>12</sup>

**While exact numbers of participants are difficult to ascertain as new accountholders constantly enter the program while others graduate, our research shows that as of September 2002, North Carolina's IDA programs had approximately 540 active participants and the number of graduates had risen to 220.**

**For hundreds of working low-income families, participation in IDA programs has enabled them to acquire a major asset and has provided a life-changing experience.** Though admittedly on a small scale, IDAs have made asset ownership available to a broader group of working families. The vast majority of IDA participants are women (84 percent) are African-American (78 percent) are single (84 percent) and have children (84 percent).

**IDA programs have increased the quality and supply of low-income housing, especially in rural areas where it is desperately needed.** For example, both the Lexington and Choanoke Area Development Association (CADA) IDA programs have helped to provide new housing for IDA families, either alone or in conjunction

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<sup>12</sup> From correspondence from Charlotte Gardner, former IDA, TANF, and Special Projects Coordinator at the NC Department of Labor to Pheon Beale, Director of Social Services in the NC Department of Health and Human Services dated May 7, 2002.

with other community partners. IDA programs have also fostered economic development and employment through micro-enterprise development.

**The North Carolina IDA and Asset-Building Collaborative continues to provide effective leadership to the IDA movement within the state and is viewed as a national leader in this regard.** Despite changes in funding levels and personnel, the Collaborative has remained a stable and cohesive group with a clear vision for expanding the number of IDA program in the state and supporting the existing programs. It has actively involved the growing number of local IDA programs in its decision-making and information-sharing activities. Recent receipt of an award for organizational support from the Z. Smith Reynolds Foundation should help the Collaborative expand its role further.

**On the local level, IDA programs have provided a means for a growing number of North Carolina's financial institutions to get involved in providing new services to a traditionally under-served population.** At the local branch level, financial institutions have also provided some financial support to IDA programs. In the case of First Citizens Bank's support of the Passage Home IDA program in Wake County, the financial contribution has been significant.

**IDA programs have provided economic literacy education to over seven hundred IDA participants.** Several IDA programs have also started offering financial literacy as part of other programs they run or to low-income families in general.

**Local IDA programs have assembled an impressive group of dedicated and professional staff who have put together successful programs in spite of multiple challenges.** These staff have been effective in delivering the high level of case management services for participating families that IDA programs require.

**Through the collaboration of Mission St. Joseph Hospital and the Asheville Affordable Housing Coalition, North Carolina has its first employer-funded IDA program that hopes to provide housing assistance to 120 participants.** Several additional IDA programs are exploring the option of employer-based IDAs with local businesses.

**The IDA movement has expanded the focus of public policy within the state to include asset building rather than purely income support as a means to alleviate poverty.**

## **Challenges:**

**The level of administrative funding available to operate most local IDA programs is clearly inadequate.** Because IDA programs require high levels of case management, they cannot be operated successfully without adequate levels of staffing. The inadequate funds available for program administration is primarily the result of program funders restricting the use of their grants to IDA account matching and allowing only minimal, if any, funds to be used for program administration. More funds for program administration, particularly multi-year funding, would allow adequate levels of staffing – a minimum of one fulltime person per program -- and thus expand the support available for participating families. Local programs also expressed the need for more assistance in raising funds. A centralized clearinghouse of funding information, perhaps sustained by the Collaborative, is needed.

**While state agencies have made significant contributions to the growth and implementation of IDA programs, they have not been able to provide as high a level of coordinated oversight and technical assistance to local IDA programs as is needed.** This problem stems from several sources: the lack of administrative funding for state agencies to oversee IDA programs; a lack of consistent IDA program staffing in the NC Department of Labor which has been designated as the lead agency for IDA program oversight; and the lack of a more substantial commitment to IDA program development within the Division of Social Services, NC Department of Health and Human Services. One unfortunate result is that essential data collection on the clients served by local IDA programs remains incomplete.

**Corporate offices of North Carolina's financial institutions at the state and regional level have yet to get involved as statewide partners and advocates nor have they provided any significant level of funding to support IDA programs.** However, many of North Carolina's financial institutions have developed important partnerships with local IDA programs and have provided some financial support to IDA programs at the local branch level.

**IDA program income guidelines restrict the numbers and types of families who can participate.** Moreover, they are inconsistent across funding sources. First, income eligibility thresholds limit the participation of two-earner families. Second, the more restrictive eligibility thresholds stipulated by the Assets for Independence Act make it impossible for many families to qualify who could otherwise participate under the less stringent guidelines set by the NC Department of Labor and the NC Department of Commerce demonstrations. Local IDA program staff have stated that it is difficult to find families that have low enough incomes to make them eligible for AFIA funds but that can still save on a consistent basis.

**The North Carolina IDA and Asset-Building Collaborative needs to secure ongoing financial support in order to maintain its role as an effective advocate and source of technical assistance and coordination for IDA programs around**

**the state.** Recent funding from the Z. Smith Reynolds Foundation will support a staff person for the Collaborative and will help move it towards full non-profit status.

**The success that IDA programs have had in recruiting participants remains uneven.** Because the IDA concept is still not well known, generating appropriate publicity and locating appropriate community partners and eligible families takes time and is very staff-intensive. This seems to be particularly true for new programs in rural counties. IDA programs generally require a substantial lead time between the point at which they receive initial funding and when they are ready to enroll participants. This is often the most challenging period for IDA programs and is when more intensive and consistent technical assistance would be extremely helpful.

**The challenges that IDA programs face are often the same in rural and urban areas, although the challenges in rural areas tend to be more severe.** Successful IDA programs can be found in both rural and urban counties in the state. These challenges are of two kinds:

- **Rural programs often confront greater obstacles in identifying and recruiting families to participate in IDA programs.** Because their populations are more dispersed, program publicity is more of a challenge. In addition, public transportation is limited or nonexistent so that travel to economic literacy classes or to financial institutions is more difficult, and child care and other supportive social services are fewer.
- **Rural economies generally offer fewer and lower quality job opportunities.** When job loss occurs, jobs are also harder to replace. The weaker economies often found in rural counties also limit the opportunities for programs to raise funds from local sources, whether public or private.

**As a consequence of these factors, rural IDA programs reported that they had half the number of current participants on average as urban IDA programs (13.5 versus 30.5).** In addition, the three IDA programs that have closed over the past year have all served rural counties. At the same time, rural areas have a more urgent need for low-cost, decent housing, educational opportunities, and economic development compared to many urban areas.

**Five factors appear to be particularly important contributors to the success of rural IDA programs in overcoming these start-up and recruitment challenges:**

- ***Clearly-identified clientele:*** IDA programs have a major advantage if they are already working with a clearly-identifiable clientele that could also qualify for the IDA program or if they are partnering with a local agency that can be a good source of referrals;
- ***Large enough geographic area:*** The geographic area that the program operates in must be large enough to provide a critical mass of people

that would qualify for an IDA. At the same time, program staff must be close enough to where participants live that meeting on a regular basis is possible;

- ***Stable source of program funding:*** IDA programs that have a stable source of funds outside of their IDA program funding have an easier time providing the stability in staffing that makes it possible for staff and participants to develop an ongoing relationship;
- ***Experience with housing and/or microenterprise:*** Some experience with housing or microenterprise programs enhances the ability of IDA staff to forge relationships with lending institutions and to get the program up and running in a timely way; and
- ***Ability to handle data requirements:*** Programs need to have an ability to handle the staffing and technical requirements of the Management Information Systems for IDAs. (MIS IDA).

IDA program funders should keep these five factors in mind when considering which organizations currently have the necessary capacity to support an IDA program, as well as how to assist other organizations to develop the required capacity.

**Three IDA programs have closed or are in the process of closing that served 11 rural counties.** While the reasons for each program closing are slightly different, a consistent problem that each confronted was the lack of funding for program administration. The additional difficulty faced by rural programs in recruiting participants and the additional lead time they often require to get underway made the lack of funding for program administration more severe.

**More consistent documentation of post-program outcomes is needed.** For example, little data exists on the survival and job creation rates of IDA-funded microenterprises beyond anecdotal accounts from IDA staff. As more participants purchase homes and start or expand businesses, it will also be important to document their experiences.

**Based purely on income eligibility guidelines, many more families qualify to participate in IDA programs than are currently being served or could be served with existing capacity.** According to the Corporation for Enterprise Development, over 1.8 million North Carolina taxpayers would qualify to participate in a modest federal tax credit program that uses income restrictions very similar to those used by the Assets for Independence Act.<sup>13</sup> The current IDA program model that relies on

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<sup>13</sup> This estimate from CFED is based on the provisions of HR 7, a substitute to S. 1924: the Charity, Aid, Recovery and Empowerment (CARE) Act sponsored by Senators Lieberman and Santorum. The estimate uses Tax Year 1999 data, Individual Tax Returns, Publication 1304 (Rev. 10-2001), Internal Revenue Service. Income eligibility guidelines are that single taxpayers must have adjusted gross income below

intensive case management services seems to work well for the group of low-income families that participate. In addition, financial institutions are unequivocal about their lack of capacity to provide this kind of support. Thus, it is not clear that the current case management model is compatible with the goal of serving large numbers of families without significant increases in program staff.

**Due to data limitations, we were unable to address several questions that should be explored in future research.** First, the incomplete records for IDA accountholders made it impossible to calculate a reliable dropout rate or to make comparisons in savings rates between programs, including a comparison of programs operating in rural and urban counties. Second, the demographic data we do have indicates that IDA participants both in North Carolina and in the national ADD demonstration differ in significant ways from the general low-income population, particularly in their high levels of education and work effort. This raises the question of how applicable IDA programs might be to the broader low-income population. Finally, conducting focus groups of IDA participants would enable researchers to find out more about the experience of IDA participants and how the programs have impacted their lives.

*“It’s a wonderful program and I just wish more people could participate. There were a lot of people who wanted to get into the program but couldn’t because their income was just a little too high.”*

~ Small business owner and current IDA participant, Southeastern Community College IDA Program

## **PRINCIPAL RECOMMENDATIONS:**

### **State-Level Coordination, Oversight and Funding**

- The NC General Assembly should renew state support of IDA programs through a new allocation of funding. In addition, the structure of state financial support to IDAs should be revised to include more funds for program administration while encouraging local programs to raise a greater share of account matching funds.
- State agencies involved in IDA oversight and funding should increase their level of coordination and should work closely with the NC IDA and Asset-Building Collaborative. Quarterly meetings between the NC Departments of Labor, Commerce, Health and Human Services, and the NC Housing Finance Agency are called for. The consistent participation in monthly meetings of the NC IDA

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\$18,000, heads of households below \$30,000, and joint filers below \$36,000 (see [www.idanetwork.org](http://www.idanetwork.org)). These income levels are very close to the more restrictive levels stipulated by the Assets for Independence Act (AFIA) that use 200% of the poverty level. However, since AFIA has more income categories based on family size, the two are not directly comparable.

Collaborative by the Departments of Labor and Commerce have been of benefit and we recommend that staff from the Department of Health and Human Services and from the NC Housing Finance Agency also attend. Given recent staffing changes in the Department of Labor and the new capacity of the Collaborative due to the receipt of grant funding, we recommend that state agencies and the Collaborative meet to discuss roles and responsibilities to ensure adequate assistance to local IDA programs.

- State-level agencies such as the NC Department of Labor and the NC Division of Community Assistance and the NC IDA and Asset-Building Collaborative need to secure adequate funds and staffing to provide more consistent oversight of and technical assistance to local IDA programs. One model to consider is that used in the Michigan IDA program where regional entities provide technical assistance to the IDAs in their sub-state region.
- The General Assembly or the responsible state agencies should revise the state-defined income eligibility requirements to allow more two-income households to qualify for IDA accounts. In the case of eligibility standards set by the federal Assets for Independence Act, state officials must convey to the U.S. Department of Health and Human Services the desirability of changing the income standard to the 80 percent of area median income standard used by state programs, rather than the more stringent 200% of poverty standard set by AFIA. This has been an issue for both urban and rural programs, but especially in urban areas where housing costs are high, the AFIA income guidelines don't allow families enough income to afford to buy a home. In North Carolina, one urban IDA program opted not to participate in AFIA for this reason.
- Program funders should increase the IDA match rate from 2/1 to 3/1 or 4/1 to allow the purchase of better quality housing or more substantial investments in microenterprise or education and training.
- State oversight agencies must ensure that each local IDA program reports its IDA account data to a central clearinghouse, currently the Department of Labor, in a timely manner. Prompt reporting of program data should be a required condition of funding, including new block grant funding from the Division of Community Assistance. To ensure that these requirements can be met, each program must have a fully functioning data collection and management system in place. For some programs, this may require additional funding for updated computers as well as more technical assistance.
- State agencies, the Collaborative, or both should provide additional technical assistance to IDA sites through three means: establishing a state-wide clearinghouse for information on potential sources of funding for local IDA programs; distributing a regular newsletter or the establishing an information exchange website; and organizing an annual conference on local IDA program implementation.

- The NC Department of Health and Human Services should become more involved in supporting IDAs and should encourage county Departments of Social Services offices to participate. In addition, DHHS should include IDAs in the state's new Temporary Aid to Needy Families (TANF) plan.
- IDA program funders should provide additional grants to be administered by the NC Department of Labor or the NC IDA Collaborative to increase technical assistance to local IDA sites from a variety of sources, including outside training, attendance at IDA conferences, and site-to-site mentoring.
- The NC DOL, the Division of Community Assistance, and the Collaborative should work together to establish an effective means for experienced IDA programs to mentor new programs. The NC DOL had started to put such a program in place but some new programs lack this valuable program-to-program support.
- North Carolina's financial institutions need to be more active leaders and supporters of the state's IDA programs at the statewide or regional corporate level. The NC IDA Collaborative has worked consistently to encourage state and regional financial institutions to get more involved in supporting IDAs but with limited success. It may require more involvement from state officials at the level of the Congressional delegation, the Governor's Office, the General Assembly or department heads to move this forward.
- If technically feasible, the Center for Social Development (CSD) at Washington University in St. Louis should revise its Management Information System for IDAs (MIS IDA) to be easier to use, including allowing programs to download account data from financial institutions electronically. In addition, CSD should consider ways to lower the price of MIS IDA software as well as subsequent upgrades to make it more affordable for local IDA programs. Without these changes, local sites are likely to continue to have difficulty collecting important information such as dropout and savings rates.

*"The program helped me feel confident that I could go out and actually do it. I'm just on a high horse right now. All the hard work, I just feel so good about myself now. I'm not just giving my money away to someone else. I like to see people set goals and get what they want. I've told everyone about it."*

*~ New homeowner, Charlotte-Mecklenburg Department of Social Services IDA Program*

## **Local Program Implementation**

The following recommendations flow out of our findings on practices that appear to support the growth of strong local IDA programs.

- Incorporate IDA program graduates in the recruitment of new participants;
- Provide a means for IDA programs that have developed an effective process for screening new applicants to share this and other advice for program implementation with less-experienced programs;
- Use a broad network of community organizations and other public agencies as sources for referrals;
- When possible, put together a team approach to supporting participants both within the program and by utilizing outside resources;
- Provide follow-up economic literacy training in areas such as home maintenance, saving for retirement, investment, and college planning;
- Consider ways to address transportation issues, such as a program that provides discounted auto repairs;
- Establish local collaboratives of community businesses, agencies, and organizations to support the work of the IDA programs;
- Utilize every opportunity to share credit for the success of the IDA program with community partners;
- Whenever possible, utilize VISTA volunteers as adjunct staff rather than as a substitute for permanent IDA staff;
- Secure adequate funds for IDA staff training, including travel to statewide meetings and conferences;
- To avoid problems caused by participants dropping out of the program and leaving empty slots, over-enroll participants initially to account for expected attrition;
- Explore mechanisms for direct deposits to IDA accounts to ensure that IDAs receive a high priority in family budgeting; and
- Explore the potential for rural program staff to conduct home visits to potential participants, as well as enrolled participants, to reduce the effects of transportation

and cultural barriers, such as the reluctance to share information about family finances in a public setting.

## CONCLUSION

North Carolina has a strong and growing network of Individual Development Account programs. Effective leadership from the North Carolina IDA and Asset-Building Collaborative and from the North Carolina Departments of Labor and Commerce, as well as from local IDA program staff, has helped this network expand rapidly. However, the state's IDA movement is at a critical juncture. In order to continue to thrive, IDA programs need more consistent funding and technical assistance, with a particular need for funding that will support program administration and adequate staffing levels. This is particularly true for IDA programs that operate in the more challenging environment of the state's rural counties.

*"I tell people that I had to work for the house but it was worth it. My daughter got lead poisoning from the house we were renting. Now that we are in our new home, my daughter goes to the doctor less often – I had lost jobs because I was taking her to the hospital so often. The program has helped me be self-sufficient. I tell everyone, 'If I can do it, you can, too.' I'm still saving money every month."*

*~ New homeowner, Lexington IDA Program*

**Table 2: IDA Program Characteristics**

<b>Sponsoring Organization</b>	<b>Type of Organization</b>	<b>Counties Served</b>	<b>Urban/Rural Counties</b>	<b>Region in NC</b>	<b>Start Date</b>	<b>Use of IDA Funds</b>
<b>Affordable Housing Coalition</b>	Affordable Housing Coalition	Asheville City, Buncombe	Urban	West	Apr-98	Homeownership, Microenterprise, Education
<b>Eagle Market Streets Development Corp.</b>	Under the umbrella of Asheville/Buncombe housing coalition	Asheville City, Buncombe	Urban	West	Nov-99	Education
<b>Mountain Microenterprise</b>	Private Non-Profit, Under Asheville-Buncombe IDA	Buncombe, Henderson, Madison, Transylvania, Haywood, Swain, Graham, Jackson, Clay, Macon, Cherokee, Polk	11 Rural, 1 Urban	West	Oct-99	Microenterprise
<b>Community Developers of Beaufort-Hyde, Inc.</b>	Community Development Corporation	Beaufort, Hyde	Rural	East	Jan-98	Homeownership, Education
<b>Cabarrus County CDC</b>	Community Development Corporation	Cabarrus	Urban	South Central	Sep-99	Homeownership, Education
<b>Charlotte Mecklenburg DSS</b>	Department of Social Services	Mecklenburg	Urban	South Central	Jun-98	Homeownership, Education, Microenterprise

<b>Choanoke Area Development Association</b>	Community Action Agency	Halifax, Northampton, Bertie, Hertford	Rural	North East	Jun-99	Homeownership, Education, Microenterprise
<b>Davie County DSS</b>	County Department of Social Services	Davie	Rural	Central	Jan-02	Homeownership
<b>Durham Regional Financial Center</b>	Community Development Corporation	Durham	Urban	North Central	1997	Homeownership
<b>East Carolina Community Development</b>	Community Development Corporation	Craven, Carteret	Rural	East	Jul-97	Homeownership, Education, Microenterprise
<b>Edgecombe County DSS</b>	Department of Social Services	Edgecombe	Rural	North East	Jul-98	Homeownership
<b>Experiment in Self-Reliance/Forsyth County Department of Housing</b>	Community Action Agency / County Housing Department	City of Winston-Salem, Forsyth County	Urban	North Central	Mar-99	Homeownership, Education, Microenterprise
<b>Gaston Community Action</b>	Community Action Agency	Lincoln	Rural	South Central	Jan-02	Homeownership
<b>Johnston Lee Harnett Community Action</b>	Private Non-Profit	Johnston, Lee, Harnett	Rural	North Central	Sep-99	Homeownership, Education, Microenterprise
<b>Lexington Housing Development Corp</b>	Community Development Corporation	Davidson	Urban	Central	Jan-99	Homeownership

<b>Monroe-Union CDC</b>	Community Development Corporation	Union	Rural	South Central	Jan-02	Homeownership
<b>Monroe-Union CDC</b>	Community Development Corporation	Union	Rural	South Central	Jan-02	Homeownership
<b>Northwestern Regional Housing Authority</b>	Public Housing Authority	Yancey, Mitchell, Avery, Watauga, Alleghany, Wilkes, Ashe	Rural	North West	Dec-98	Homeownership, Education
<b>Office of Economic Opportunity</b>	Private Non-Profit	Cherokee, Clay, Graham, Swain	Rural	West	Jan-01	Homeownership, Education, Microenterprise
<b>Passage Home</b>	Private Non-Profit	Wake	Urban	North Central	Mar-99	Housing
<b>Rowan-Iredell Credit Union</b>	Credit Union	Rowan, Iredell	1 Urban, 1 Rural	Central	Nov-99	Homeownership, Education, Microenterprise
<b>Southeastern Community College</b>	Community College	Columbus, Bladen, Brunswick, Robeson	Rural	South East	Mar-99	Homeownership, Education, Microenterprise
<b>West Greenville CDC</b>	Community Development Corporation	Pitt, City of Greenville	Rural	East	Jan-02	Homeownership

<b>Western Carolina Community Action</b>	Private Non-Profit	Henderson, Transylvania	Rural	West	Oct-01	Homeownership, Education, Microenterprise
<b>Western Piedmont Council of Governments</b>	Regional Council of Governments	Alexander, Burke, Caldwell, Catawba	3 Rural, 1 Urban	West	Mar-99	Homeownership
<b>Wilmington Housing Authority</b>	Housing Authority	New Hanover	Urban	South East	Aug-99	Homeownership, Education, Microenterprise

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