

Leveraging Local Match: Thinking Beyond Banks

Introduction

Participants in Individual Development Account (IDA) initiatives across the country have been extremely successful in completing saving and purchasing their chosen assets. But obstacles do exist. The greatest for program administrators continues to be raising program funds to match participant personal savings. In the case of Assets for Independence (AFI) Projects, grantees must raise a 100 percent nonfederal cash contribution, dollar for dollar. Further, AFI operators usually find they must raise funds beyond the nonfederal figure to support the actual cost of services. Many agencies operating AFI Projects have experienced great difficulty raising nonfederal cash contributions, which, in effect, caps the number of IDAs available to low-income individuals and families. The growing number of eligible applicants currently on waiting lists for AFI and other IDA programs proves that demand for IDAs far exceeds supply. Without new funding mechanisms, however, AFI and other IDA programs will continue to serve a limited number of working poor individuals and families.

Following is a discussion of a strategy, developed by an AFI grantee, the Economic and Community Development Institute (ECDI) [<http://www.ecdi.org/index.htm>], based in Columbus, Ohio, to address this challenge.

A Community-Based Strategy to Increase Nonfederal Matching Funds

In 2004, ECDI—an AFI grantee with additional IDA program funding—developed the Central Ohio Asset Building (COAB) Project in cooperation with other agencies. The goal was to expand IDAs and other services throughout the Central Ohio region by approaching several unexplored funding sources. This discussion focuses on what has come to be known as the Community IDA Model, the product of specific, targeted investments by a variety of faith-based and community-based organizations in the futures of their constituencies and neighborhoods. These groups saw a partnership with ECDI as a way to increase their own impact and support their individual missions.

The Community IDA Model

Using the Community IDA, ECDI has been developing new sources for AFI match, including families and friends of eligible individuals; local faith-based and community organizations (FBCOs); small businesses; and medium and large corporations. Often, these stakeholders were already providing some assistance to the individuals and families that ECDI serves. By integrating these existing funds from nontraditional sources with the Federal AFI commitment, ECDI is increasing the number of individuals who may benefit from this asset-building tool.

Conversely, this strategy offers new stakeholders the ability to leverage money they are already investing in the target market.

The Community IDA approach works as follows. FBCOs, such as churches, temples, mosques, community groups; and private-sector entities, such as businesses, provide the nonfederal cash contribution to match the AFI dollars. In return, they may direct IDA opportunities to individuals within their sector or organization, or help the general community, as long as savers meet the eligibility requirements. A local neighborhood association may offer nonfederal AFI matching funds to promote homeownership in its area, or a faith-based organization may support AFI accounts for members to obtain postsecondary education. A chamber of commerce or business association may provide AFI match to encourage new microentrepreneurs. In this way, these interest groups expand their impact on the community and support their own individual missions. With these partners, ECDI can deliver IDAs to a broader population and reap the marketing and outreach benefits of the pre-existing relationships between these organizations and the community.

To stimulate community and faith-based groups to provide financial support for IDAs, ECDI markets the benefit of more IDA accounts available to their own constituents. ECDI also emphasizes that additional accounts will not be available without their assistance. Interested organizations need not commit large amounts but can start small by sponsoring one to five participants. Each sponsoring organization signs a memorandum of understanding for each individual it chooses to support and places the match dollars in ECDI's Reserve Account.

Under this model, AFI IDA products and services remain essentially the same. Clients receive economic literacy training, asset-specific training, and other assistance throughout their savings period. The agency continues to track and evaluate the program. In addition, ECDI is evaluating the models' effectiveness in increasing local AFI match.

Implementation Considerations

To administer the Community IDA, ECDI revised policies and procedures and developed agreements with donors (including memorandums of understanding or contracts). ECDI also developed a new marketing plan and materials.

- **Internal Policies and Procedures.** To reflect the new aspects of the Community IDA, ECDI developed an addendum to its existing AFI IDA policies and procedures. The addendum includes a financial explanation that lays out the funding streams and administrative costs of the new program. This explanation is also used to shape measurement of the model's impact



on creating nonfederal match for the AFI Project. The addendum provides details on the match rate, and specifies responsibilities of the clients, the donor and the ECDI.

- **Memorandum of Understanding/Contract.** A newly devised memorandum of understanding (MOU) or contract outlines the responsibilities of the donor and ECDI for to insure the desired outcome for each Community IDA commitment. This document assures the donor that the funds will be used as directed. The participant who benefits also must sign to permit release of information to the donor regarding savings progress and asset purchase.
- **Marketing Plan.** The third key to implementation is the marketing plan. Applicants are recruited in conjunction with donors who wish to support those individuals' steps towards independence. Different markets may call for one or several recruiting methods, including a combination of flyers, brochures, letters, and presentations to potential donors.

Outcomes

The Community IDA is still a young strategy, but has already yielded substantial results. A local community organization has committed \$20,000 in match for the Community IDA, which translates into \$40,000 when combined with the Federal AFI funds. Development of memorandums of understanding with community- and faith-based organizations continues, with pledges totaling \$160,000 as of December 2004. In addition, under the Community IDA, participants may now combine their IDA match with a first-time home owner down payment assistance program, which was previously limited by the state source, the Ohio Department of Development Housing Trust Fund.

