

Appendix E:

Savings Plan Agreements

Before a new IDA is opened, the participant and the AFI Project must commit to a set of rules and responsibilities outlined in a Savings Plan Agreement. The following are some elements to include in Savings Plan Agreements between AFI Project organizations and their participants. These are just suggestions. Grantees should tailor agreements to their needs, within the requirements of the AFI statute.

- A savings goal, including a proposed schedule of savings deposits by the participant from earned income, which must be for a period of more than six months from the date of the first deposit.
- The proposed qualified expense (first home, education, microbusiness) for which the IDA is maintained.
- The length of time to achieve the participant's savings and asset acquisition goals.
- The rate at which participant savings will be matched (from \$1 to \$8 of the Federal and nonfederal match (combined) for each dollar in earnings the participant deposits). (*Note:* The Federal grant funds portion of the match may not exceed \$2,000 per individual and \$4,000 per household during the five-year project period.)
- The schedule of match deposits and interest allocation to be followed by the AFI Project.
- Financial education summary, where the AFI Project agrees to provide training and the participant agrees to attend.
- Any additional training or education related to the qualified expense that the AFI Project agrees to provide (or may require) and that the participant agrees to take.
- Process for notification of participant in the event that the participant exceeds or fails to meet projected savings goals. The process may include schedules and contingency plans.
- Any agreement as to investments of assets maintained in the Project Reserve Account, if applicable.
- An explanation of withdrawal procedures and limitations, including the consequences of unauthorized withdrawals from the participant's IDA.
- An explanation of the conditions under which the project may ask a participant to withdraw personal savings and leave the program, such as failure to attend or complete trainings or a pattern of missed deposits. Include the AFI Project's responsibility for working with the participant to avoid the need to withdraw.
- Provision for disposition of the funds in the IDA in the event of the participant's death.
- Provision for amendment of the agreement with the concurrence of both AFI Project and participant.

Where match rates and maximum savings amount differ for the different asset goals, it may be clearer for AFI Project to use separate documents rather than including alternatives in a single form.

Following are two sample Savings Plan Agreements that incorporate many of the suggested elements. You may also download Word versions of these sample agreements by going to <http://www.acf.hhs.gov/assetbuilding>.

Sample Savings Plan Agreement #1

(I: On these sample forms, the term “AFI Project” refers to the grantee or its IDA initiative. You probably will want to replace that term with the grantee organization’s name and/or the name of its IDA initiative.)

1. My savings goal for the Individual Development Account is \$ _____ per year over the course of two years. I understand that a maximum of \$ _____ will be matched by the AFI Project annually, at a rate of ___-to-1 (The AFI Project will contribute ___ dollars for every dollar of earned income that I save toward one of the designated assets).
2. My monthly savings goal will be \$ _____. I understand that I am required to make monthly deposits from earned income, with a minimum monthly deposit of \$ _____, at [Name of Bank] in the form of _____, and that I may miss a maximum of three monthly deposits over the course of one year. I will be notified and warned of termination after three missed deposits. If I must miss a deposit, I will contact the program coordinator immediately to discuss the reason and to plan to be consistent in the future. [Note: Some programs lack the staff to do this level of personal follow-up with clients—the time to visit and counsel—so take this into consideration.]
3. My asset goal is the following: _____.
4. I understand that I have up to ___ months to achieve my savings goal and up to ___ months after that to make my purchase.
5. In order to be a part of this project and to receive the savings match, I must attend all of the personal money management course sessions. If I miss a class, I will call the program coordinator immediately to discuss the situation and will make arrangements to make up the missed session. In addition, I agree to complete all financial education activities as required. Upon completion of the financial education class, I have the option to participate in further training on starting a business, buying my first home, or going back to school through either the AFI Project or a community partner.
6. I will not withdraw money from this IDA savings account under any circumstances without consulting the program coordinator. Unauthorized withdrawals may force me to be dropped from the AFI Project and to forfeit my rights to any match monies accrued. If at any time I am not able to meet my monthly savings goal, **I will call the project coordinator and discuss the situation immediately.**
7. I will review my savings and asset goals and my performance in meeting or exceeding these goals regularly. If a revision is in order, I will make an appointment to revise this Agreement with the AFI Project Coordinator.
8. In the event of my death, I understand that if I designate another eligible individual as the beneficiary, that person will receive both my savings and earned match, provided he or she satisfies all project requirements. If I designate someone who is not eligible for an account, the beneficiary will receive only **my** savings, and my earned match will be used to match other account holders. Accordingly, I designate the following beneficiary:
_____.
9. Withdrawing money: With this special matched savings account, I can withdraw money only after I have made monthly deposits for at least six months for one of the three purposes listed below:
 - a. Starting or expanding a small business, with an approved business plan (e.g., equipment, inventory, and marketing materials).
 - b. Purchasing my first home—upfront costs (e.g., earnest money, down payment, appraisal, and home inspection costs) or principal on the mortgage.

- c. Enrolling in postsecondary education or training (e.g., tuition, books, entrance fees, registration costs, and lab fees) or the purchase of necessary equipment or supplies, including a computer.

10. All checks will be made payable to a third-party vendor. _____
Initials

11. Withdrawals after the first initial draw can be made only *quarterly*, with the exception of first-time home purchase.

12. In special circumstances, I will be able to withdraw my own savings (without matched dollars) for emergency purposes. I am allowed 12 months to replace that money to continue to be a part of the project. I must meet with the project coordinator and fill out and sign the emergency withdrawal agreement.

13. In order to withdraw *any* money, I must obtain a signature from the **AFI Project** coordinator before going to the bank. This requirement ensures that I have thought carefully about my purchase and that I am using it for one of the three assets listed above. *All* account withdrawals require dual signatures—one from the AFI Project coordinator and one from me.

Initials

I agree to the terms and conditions as stated above.

Participant

Date

NAME OF **AFI PROJECT** Coordinator

Date

Sample Savings Plan Agreement #2

(Note: On these sample forms, the term “AFI Project” refers to the grantee or its IDA initiative. You probably will want to replace that term with the grantee organization’s name and/or the name of its IDA initiative.)

Between the **AFI Project** and _____
Participant’s name

The Participant understands and agrees that:

1. The **AFI PROJECT** is designed to assist the participant in achieving greater economic success through training, savings, and matching funds.
2. The participant shall open an IDA savings account at **[Name of Bank]**.
3. The participant is not subject to regular account fees while they are enrolled in the **AFI Project**. [Note: Banks may resist dropping fees. If so, think about how to get around them, for example, by maintaining a minimum balance or making minimum deposits each month.]
4. The participant shall make a monthly deposit into the IDA account from his/her earned income with the minimum deposit allowed being \$___ and the maximum monthly deposit allowed being \$___. If no deposit is made one month, the participant must consult with the **AFI Project** coordinator to readjust her/his savings plan. If the participant is delinquent several times he/she may be terminated from the program.
5. The **AFI Project** will match, in its own account, the participant’s savings at a rate of \$__ or \$__ in match money for every \$1 saved in the IDA, depending on the participant’s income level.
6. The participant must be in this program for a minimum of one year and a maximum of three years, allowing for a maximum matched savings limit of \$___ at the __:1 match rate and \$___ at the __:1 match rate. Additional savings above the limit are encouraged, but not matched.
7. After the first year from the date of opening an IDA account *and* successful completion of all program requirements, and after consultation with **The AFI Project**, a participant in good standing may withdraw his/her savings and use matching contributions for the following qualifying expenses:
 - i. Post-secondary or industry-related vocational education
 - ii. Industry-related business capitalization

[Note: AFI projects are not required to offer all of the asset purchase options, but may choose to offer one or any combination appropriate for their target population and local community resources.]

The AFI Project shall have full discretion to decide what constitutes Qualified Expenses and how the savings and matching contributions shall be disbursed in paying for the Qualified Expense.

8. The participant is required to complete the **AFI Project’s** financial education course, and any missed classes must be made up within 12 months. Failure to do so will be grounds for termination from the program.
9. Withdrawals of savings for purposes other than paying for the Qualified Expenses are not allowed. However, in the event of an emergency, withdrawals may be permitted for certain situations. Such emergency withdrawals from the IDA savings account require the approval of the **AFI Project** Coordinator and will be permitted no earlier than six months after the initial deposit by the participant and only for the following:
 - i. Medical expenses
 - ii. Payments necessary to prevent eviction
 - iii. Necessary living expenses following loss of employment

No matching contributions will be made until the withdrawn amount has been fully repaid. If the withdrawal amount is not paid within 12 months, the participant will not be permitted to continue in the program.

10. The participant may designate a beneficiary to receive his/her IDA in the event of the participant's death prior to successful completion of the program. To the extent allowed by law, the designated beneficiary will be entitled to the deceased participant's savings. Moreover, if the beneficiary qualifies for participation in the IDA program at that time, then she/he will be eligible to complete the requirements of the IDA program and receive the deceased participant's matching contributions.
11. The participant shall be free at any time, after consultation with the **AFI Project**, to terminate participation in the program and will be able to withdraw his/her savings and any interest earned on these savings.
12. If the participant's participation in the program is terminated, he or she will become ineligible to receive any matching contributions.
13. Upon termination, a participant's IDA will be transferred to a regular savings account at **[Name of Bank]** over which the participant has full responsibility and control. This savings account will be subject to all the normal fees and regulations.
14. During the course of the program, the participant is encouraged to address any credit problems he/she has that will affect his/her success in achieving the asset goal.
15. **The AFI Project** staff or outside consultants may review information regarding each participant for program evaluation purposes. *All information provided for this evaluation will be confidential and participants' names will never be used in any reports or summaries originating from this evaluation without prior written consent.*
16. The participant shall participate in evaluation activities, which may include completing surveys, participating in focus groups, one-on-one interviews, or other activities.
17. The participant shall notify the **AFI Project's** Coordinator before making emergency withdrawals, missing a money management class, or missing a monthly savings deposit.
18. **The AFI Project** reserves the right to change the rules and policies during the term of this letter of agreement. Written notification of any changes will be provided to participants prior to their taking effect.
19. In the event of any inconsistencies between provisions herein and applicable Federal, State, or local law, this Agreement shall be construed to omit the provisions herein that are inconsistent with applicable law and to substitute in their place the relevant provisions of applicable law.

The **AFI Project** agrees:

1. To allocate \$__ or \$__ in matching funds, depending on the participant's income level, for every \$1 a participant saves up to \$__ (for a __-to-1 match) or \$__ (for a __-to-1 match).
2. To provide account holders with monthly statements of savings and accrued matching contributions.
3. To coordinate and provide a financial education program and additional support services for the participant in order to enhance the participant's savings efforts and progress toward asset goals.
4. To work with the participants so that program elements do not in themselves discourage participation in the program (e.g., to offer alternative times for financial literacy training).
5. To work with participants to ensure that their savings timeline and plan are feasible and contain reasonable goals.
6. To work with participants at their request to address any barriers to completing all of the requirements for eligibility in the program, including assisting them to find other resources for emergencies in lieu of making a withdrawal from the IDA.
7. To assist participants in finding appropriate training to prepare them for their specific asset goals.

