Assets for Independence Act Evaluation

Process Study:
Final Report

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Executive Summary

This report provides key findings from case studies developed on 14 Assets for Independence (AFI)-funded individual development account (IDA) projects. IDAs are personal savings accounts targeted to low-income persons that encourage participants to save for specific types of assets by providing matching funds when the accountholder makes withdrawals for an allowable asset purchase.

The rationale for IDAs lies in the proposition that income transfers have eased the hardship of the poor but have been less effective in enabling low-income families to become economically self-sufficient. An alternative view that emerged in the early 1990s was that to promote economic advancement and self-sufficiency—as well as to encourage socially positive behaviors—policies should focus on asset accumulation, in combination with income support.

The AFI Act calls for an evaluation of AFI projects to be carried out by an independent research organization under contract to HHS. The evaluation is to analyze the effects of incentives and services on participant savings; the extent to which participant savings vary by demographic; the economic, civic, psychological and social effects of savings; the effects of project participation on savings rates, homeownership, postsecondary educational attainment, and self-employment; the potential financial returns from IDAs to the Federal government and other public and private sector investors over a 5-year and 10-year period of time; and the lessons learned from the demonstration project and whether an IDA program should become permanent. The Act specifies further that the evaluation is to utilize a control group to compare AFI project participants with nonparticipants, and to utilize both quantitative and qualitative data. A final evaluation is to be completed within one year following the conclusion of all AFI projects funded under the Act.

HHS selected Abt Associates Inc. to begin the evaluation. Given the resources available to support the evaluation, HHS decided upon a process study and an impact study using a national comparison group as the first priorities in meeting the legislative requirements. Funding constraints did not permit the study of civic, psychological, and social effects of savings, or financial returns from IDAs to the government and other investors, to be included in this phase of the evaluation. Other research in the IDA field is currently addressing these topics. HHS is considering possibilities for including these topics in the next phase of the evaluation.

The objective of the process study is to explore how AFI projects are planned, implemented, and operated. The insights developed from the process study are useful in the following ways:

- To indicate whether projects were implemented as intended—and if not, why not.
- To identify the key operational challenges typically faced by grantees and how (and with what success) these issues were addressed by them and their organizational partners.
- To better understand how the design, organizational, and operational features of an AFI project may influence the experiences of participants—in particular, their ability to save and successfully use these savings (plus the IDA match funds) to purchase assets.

Insights of the latter type have proven especially useful in interpreting the findings of the impact study component of the evaluation. That component empirically estimated the effects of participation on key outcomes relating to accountholders' savings and asset accumulation.[1]

The projects chosen for the process study were selected to encompass wide variation in project characteristics and local settings, rather than as a representative sample of AFI projects nationwide. This report is based on information collected on 14 of the 17 selected grantees and their AFI projects that were visited either once (four sites), twice (eight sites), or three times (two sites) during the period 2001 to 2005. The first visit to each selected site was typically conducted in the second year of operations of its AFI project. The selected sites were the subjects of case studies presented in a series of five reports prepared for the evaluation.[2] They are also described in project briefs presented in the appendix of this volume.

The 14 AFI projects discussed in this report are:

- Mt. Hope Housing Company (Bronx, New York)
- Social Development Corporation (Milwaukee, Wisconsin)
- YWCA of Greater Pittsburgh (Pittsburgh, Pennsylvania)
- Williamsburg Enterprise Community Commission (Kingstree, South Carolina)
- Community Action Partnership of Sonoma County (Santa Rosa, California)
- Tulane University (New Orleans, Louisiana)
- Manchester Neighborhood Housing Services (Manchester, New Hampshire)
- International District Housing Alliance (Seattle, Washington)
- Great Rivers Community Reinvestment (St. Louis, Missouri)
- Total Action Against Poverty (Roanoke, Virginia)
- Jefferson Economic Development Institute (Mt. Shasta, California)
- Partners for Self-Employment (Miami, Florida)
- AJFC Community Action Agency (Natchez, Mississippi)
- Allegany County Human Resources Development Commission (Cumberland, Maryland)

The three visited sites found not to have a sufficient scale of operations to warrant inclusion in this report were: Community Services Agency (Reno, Nevada); Mercy Housing (Sacramento, California); and Student Alternatives (Hidalgo, Texas).

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1 Gregory Mills, et al., *Assets for Independence Act Evaluation: Impact Study: Final Report*, Abt Associates Inc., Cambridge, Mass., February 2008.

2 The following series of annual site visit reports have been completed under the process study: Michelle Ciurea, et al., *Assets for Independence Act Evaluation: First Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., June 2002; Michelle Ciurea, et al., *Assets for Independence Act Evaluation: Second Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., December 2002; Gregory Mills, et al., *Assets for Independence Act Evaluation: Third Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., March 2004; Gregory Mills, et al., *Assets for Independence Act Evaluation: Fourth Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., March 2005; and Gregory Mills, et al., *Assets for Independence Act Evaluation: Fifth Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., September 2005.

This report is thematic and cross-site in nature. It discusses the differing approaches grantees used to address seven common challenges:

- Raising nonfederal funds
- Achieving administrative efficiencies
- Forging organizational partnerships
- Recruiting and selecting participants
- Providing financial education
- Supporting program participants
- Adapting to feedback and shifting conditions

Since the initial site visits were conducted for this study in 2001, there have been enormous gains in collective knowledge and experience among IDA practitioners. These gains in understanding have come through the growth and maturity of the AFI program itself, with a new set of grantees awarded funds each year and early cohorts of grantees completing their projects.

During this time, some aspects of AFI projects appear to have become less problematic to grantees than was previously the case. Collective learning has enabled more recent grantees to spend less of their energy and resources in surmounting the following challenges:

- Setting the basic design features of an AFI project, such as match rates, minimum deposit requirements, and rules for emergency withdrawals
- Moving from grant award to project startup
- Limiting the needs for one-on-one case management and support services

Conversely, issues that remain challenging for AFI projects are as follows:

- Attracting sufficient numbers of participants
- Assisting participants in attaining realistic savings goals
- Navigating the regulations of diverse funding sources and requirements
- Raising nonfederal funds
- Coping with limited funds for administrative costs

These contrasting sets of issues—the challenges that no longer pose difficulty and those that continue to do so—are discussed in the report. Also presented are some additional sources of information and assistance for AFI grantees and organizations that are administering other forms of IDA projects.

Chapter One: Introduction

This report summarizes the findings of site visits to selected Assets for Independence (AFI) projects over a five-year period. During that period and subsequently, the Individual Development Account (IDA) landscape has changed considerably, with AFI grantees responding to the evolution of the field as well as shaping it. As part of the process study of the evaluation of the AFI program, we examined selected grantees and their projects in detail, to understand the issues grantees faced and how they have responded. The study yielded many insights regarding common challenges, lessons learned, and promising innovations in administering AFI projects.

This report is based on the findings from visits conducted during 2001-2005 to 14 of 17 selected organizations that were administering AFI projects. Each project is described in more detail in a project brief in the Appendix. This summary report focuses on common themes faced by AFI grantees. More detail on each site, as well on the topical issues, can be found in the annual reports of the process study.[3]

This chapter provides an overview of the selected AFI projects and of the scope of the overall evaluation. It also discusses the major findings with respect to the principal tasks of administering an AFI project:

- Raising nonfederal funds
- Achieving administrative efficiencies
- Forging organizational partnerships
- Recruiting and selecting participants
- Providing financial education
- Supporting program participants
- Adapting to feedback and shifting conditions

A. Asset Building as an Anti-Poverty Strategy

The conceptual underpinning to IDAs lies in the realization, during the early 1990s, that income transfers, the major mechanism of 40 years of social welfare policy, had done much to ease the hardship of the poor, but had not helped great numbers of low-income families to become more economically self-sufficient. An alternative view was that the way out of poverty—as well as toward a number of socially positive behaviors—was to promote asset accumulation. Sociologist Michael Sherraden made the case for asset-based social policy in his book *Assets and the Poor* (1991). The rationale lay in two arguments: first, *assets promote a longer planning horizon*, which promotes long-

[3] The following series of annual site visit reports have been completed under the process study: Michelle Ciurea, et al., *Assets for Independence Act Evaluation: First Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., June 2002; Michelle Ciurea, et al., *Assets for Independence Act Evaluation: Second Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., December 2002; Gregory Mills, et al., *Assets for Independence Act Evaluation: Third Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., March 2004; Gregory Mills, et al., *Assets for Independence Act Evaluation: Fourth Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., March 2005; and Gregory Mills, et al., *Assets for Independence Act Evaluation: Fifth Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., September 2005.

term investments (such as education) and more careful husbanding of resources. Second, *asset holdings promote a variety of positive attitudes and behaviors,* including household stability, personal efficacy, community involvement, and political participation. The assumption was that these behaviors would also lead to economic self-sufficiency (although the theory emphasized that the link is indirect and that these behaviors are valuable in and of themselves, even if self-sufficiency does not follow). Because certain assets, such as education and business capital, lead to better jobs and/or higher income, it is plausible that they would directly promote economic self-sufficiency. The effect of other types of assets, such as housing, may be less direct. But to the extent that their possession provides low-income working people with a more stable situation, their effect on self-sufficiency would seem to be potentially strong as well.

The ideas articulated by Sherraden and others at the forefront of promoting asset-based social policy, including both the Center for Social Development at Washington University (directed by Sherraden) and CFED (formerly, the Corporation for Enterprise Development), appealed to policymakers who were searching for ways to incorporate self-sufficiency into American social welfare policy. The 1996 welfare reform act—the Personal Responsibility and Work Opportunity Reconciliation Act—authorized States to administer and fund IDA projects with Temporary Assistance to Needy Families (TANF) program funds, and it allowed a participant's IDA savings to be exempt from determining eligibility for federal means-tested government assistance. In 1998, the Assets for Independence Act authorized the U.S. Department of Health and Human Services, through the Administration for Children and Families' (ACF's) Office of Community Services (OCS) to award grants for projects that demonstrate the effectiveness of the IDA strategy.

Over the five-year period (2001-2005) of the qualitative research summarized here, IDAs have become more prominent as a social policy tool. The IDA projects supported by AFI are only one form of many. IDA projects are financed by a variety of funding sources, each with its own guidelines, issues, and opportunities. Among the major national sources are the Federal Home Loan Banks, ACF's Office of Refugee Resettlement, and the TANF program administered by ACF—as well as numerous local corporate, financial institution and philanthropic sponsors.

B. Assets for Independence Program

The emergence of various public and private funding sources has allowed the number of IDA programs to grow over the past decade. Each funding source typically has its own set of guidelines, presenting a variety of opportunities and challenges. This study focuses on the experience of AFI grantees in meeting the particular operational challenges presented by the AFI law and guidelines. It is important to remember that some of these issues relate only to AFI projects—one portion of a growing, large and diverse "IDA field."

Basic Program Structure

Established in 1998, the Assets for Independence program provides federal funding for IDA projects nationwide. It provides IDA match funding for first-time home purchase, business startup or expansion, or post-secondary education, plus associated administrative funding. From the first awards in FY1999 through FY2006, approximately 398 grants have been awarded, totaling $120.8 million.

The Office of Community Services (OCS), within the Administration for Children and Families (ACF) of the U.S. Department of Health and Human Services, administers the program. Three times yearly, OCS awards five-year grants competitively to State, local or tribal government agencies or non-profit organizations. Grantees must provide at least half of the project budget from nonfederal sources. The AFI grants provide funding for project services and administrative expenses equal to 13 percent of the grant amount (initially it was 7.5 percent, raised to 13 percent in the 2000 amendments to the AFI legislation).

Grantees rely on a wide range of sources to finance the nonfederal cash contribution required by the AFI project. In fact, many grantees raise much more than the amount required by AFI to guarantee they have the resources necessary to administer the project successfully, and to provide the support and services to ensure that their participants succeed. The most common sources for nonfederal funds are financial institutions and foundations, but grantees also rely on state and local government agencies, businesses, individuals, and faith-based organizations. Some grantees also receive funds from Federal government sources to support their AFI projects. For example, the Community Development Block Grant (CDBG) program administered by the Department of Housing and Urban Development can be used as a source of nonfederal matching funds. Also, some grantees use Community Services Block Grant (CSBG) funds, another program administered by OCS, to help fund project operations. Another very valuable resource many grantees accept to help run their AFI projects is donations of in-kind support.

All grantees must establish a special bank account for the AFI project called the Project Reserve Account. The AFI grant funds and the required nonfederal cash contributions are deposited into this account. Once the nonfederal funds are deposited into the account the AFI grant can be drawn down and deposited into the Project Reserve Account. Grantees can draw down the entire grant at one time, or request interim deposits, depending on the availability of the nonfederal funds in their Project Reserve Account. Some grantees benefit by drawing down the entire grant at the beginning of the project period allowing them to use the interest accrued to supplement the total resources available to the program. It is important that these accounts be maintained separately from any other bank accounts the organization holds for itself or for the AFI participants. Also, for grantees who have received multiple AFI grants, a separate account must be maintained for each grant received.

To be eligible to participate in an AFI project, individuals must either have household income of less than 200 percent of the federal poverty level, be income-eligible for the federal earned income tax credit (EITC), or be receiving (or eligible for) benefits or services under a state's TANF program. Participants must also have net assets valued at less than $10,000, excluding the value of one's primary residence and one vehicle. Participants' deposits into their IDA must be from *earned* income.

As a major funder of IDA projects, OCS has a significant role in the proliferation of IDAs as a tool for supporting low-income families. The agency actively facilitates information exchange among providers and offers technical assistance such as:

- Intensive two-day "AFI Project Academies" for training on effective practices
- Sponsorship of National IDA Learning Conferences
- Topical conference calls and web-based seminars for small-group discussions
- Customized in-person or telephone technical assistance
- Facilitated peer-to-peer exchanges

- Data management system (AFI² or "AFI-squared")

OCS provides annual reports to Congress about the AFI program, describing many of the program's fundamental features, including the number and characteristics of participants served, savings patterns, asset purchases, financial accounts, and project features.[4]

Both the Congress and HHS have allowed increasing flexibility to grantees since the enactment of the AFI statute. As noted earlier, the original authorizing law was amended in 2000 to allow grantees to use slightly more grant money for administrative operations (including project services, such as participant skill-building, in addition to program administrative expenses) and evaluation-related costs. Longer savings periods are now possible, thanks to OCS's having established a policy to allow one-year no-cost grant extensions and having issued guidelines that permit grantees to reassign participants from projects funded with earlier AFI grants to those funded at a later time. OCS now accepts grant applications three times per year. The requirements for providing the required nonfederal contribution are somewhat less strict. Previously, organizations applying for an AFI grant had to have the nonfederal funding contribution in hand; now, a strong letter of commitment from the nonfederal funder is sometimes considered sufficient.

The type of grantees has also evolved somewhat over the years. Early grantees tended to be well-established community-based organizations, including community action agencies. Many of the initial AFI grantees were comprehensive social service agencies with considerable organizational capacities. More recently, OCS has encouraged greater diversity of applicants: smaller organizations, faith-based groups, "specialty" organizations (such as microenterprise or homeownership groups), and those that serve specific populations (such as Native Americans and rural residents).

Characteristics of AFI Projects

Grantees that receive AFI funds have considerable latitude to design projects in ways that meet their local needs, but most projects have certain common elements:

- An ***eligibility determination*** to establish that applicants meet the federal eligibility requirements and any additional project-specific criteria for targeting particular population groups.
- An ***orientation session*** for prospective participants that presents the rules and policies of the project.
- ***Financial education***, also referred to as financial literacy or money management training.
- ***Asset-specific training*** relating to the type of asset that the participant intends to purchase. It may be homeownership training, entrepreneurial assistance, or career counseling for those pursuing postsecondary education.
- ***Case management and support services***, including financial services (such as credit counseling) or social services (such as child care, transportation, or crisis intervention).

[4] The most recently published Report to Congress may be found at www.acf.hhs.gov/programs/ocs/afi/

- Use of a ***management information system*** to track account activity and participant characteristics. Most common are the AFI^2 ("AFI-Squared") system, developed by OCS and provided free of charge to all AFI grantees, and the Management Information System for Individual Development Accounts (MIS IDA), although some grantees also develop their own systems.

Exhibit 1.1 illustrates the steps that participants must take in a typical AFI project. The length of this process can vary from approximately six months to more than four years.

AFI projects can be either single-agency or multi-agency (network) projects. According to the latest congressional report on the AFI program, slightly more than one-third of the projects are network projects. In a single-agency project, the grantee organization is the primary organization that provides program services to accountholders. The grantee organization takes full responsibility for enrolling participants, opening their IDA accounts, providing supportive services, and managing the project and participant funds. These organizations may partner with other organizations to provide a specific service such as financial education, but are ultimately responsible for all aspects of the AFI project. This organizational arrangement is shown in Exhibit 1.2. In a network project, support is awarded to a grantee organization, which then becomes the lead agency and disburses the funds to any number of subgrantee organizations that deliver program services to project participants. This arrangement is depicted in Exhibit 1.3.

The level of direct participant involvement of the grantee organization varies greatly from network to network. In some cases, the grantee organization may be one of the partners that works directly with participants, and in other cases, the organization plays more of an administrative role and has little involvement with participants.

The number of partners in a network project and the geographic area they serve also vary greatly. Some networks have only a few partners that serve a small community, while other networks have many partners and serve an entire state.

Exhibit 1.1
Components of a Typical AFI Project

Note: This exhibit illustrates a participant's path in a generalized AFI project. Individual AFI projects may follow different procedures. For example, some grantees require financial education before participants open the IDA, while other grantees allow participants to open the IDA and begin saving before or while receiving the education.

Exhibit 1.2
Organizational Structure of an AFI Single Agency Project

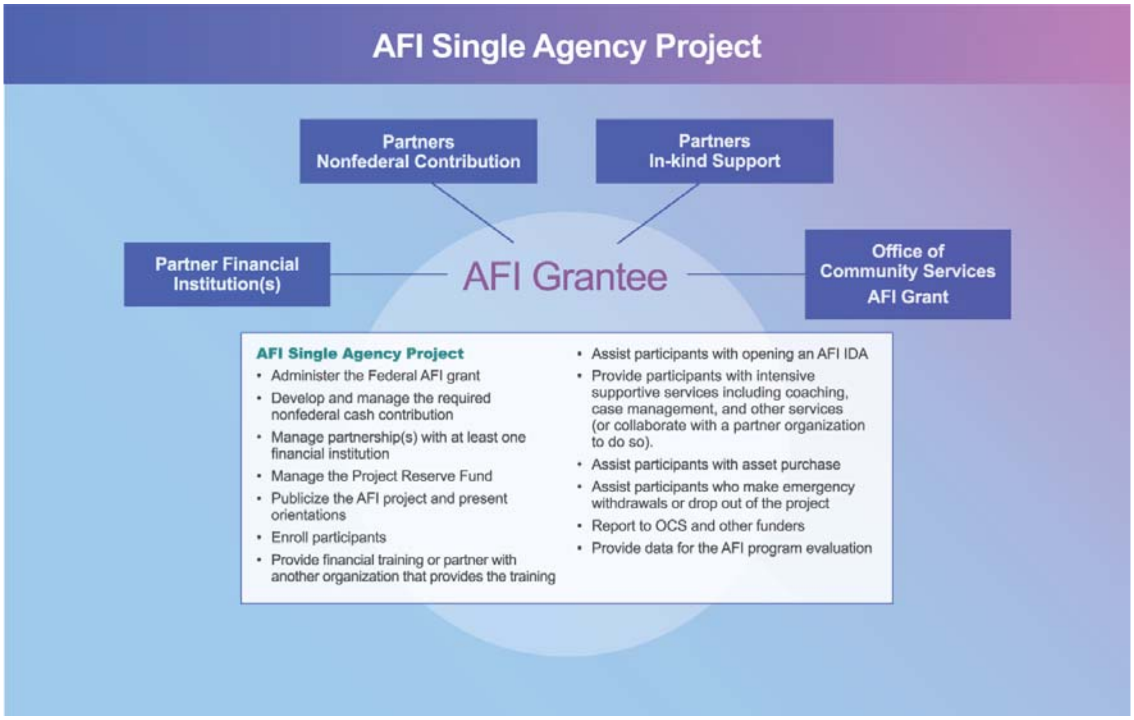
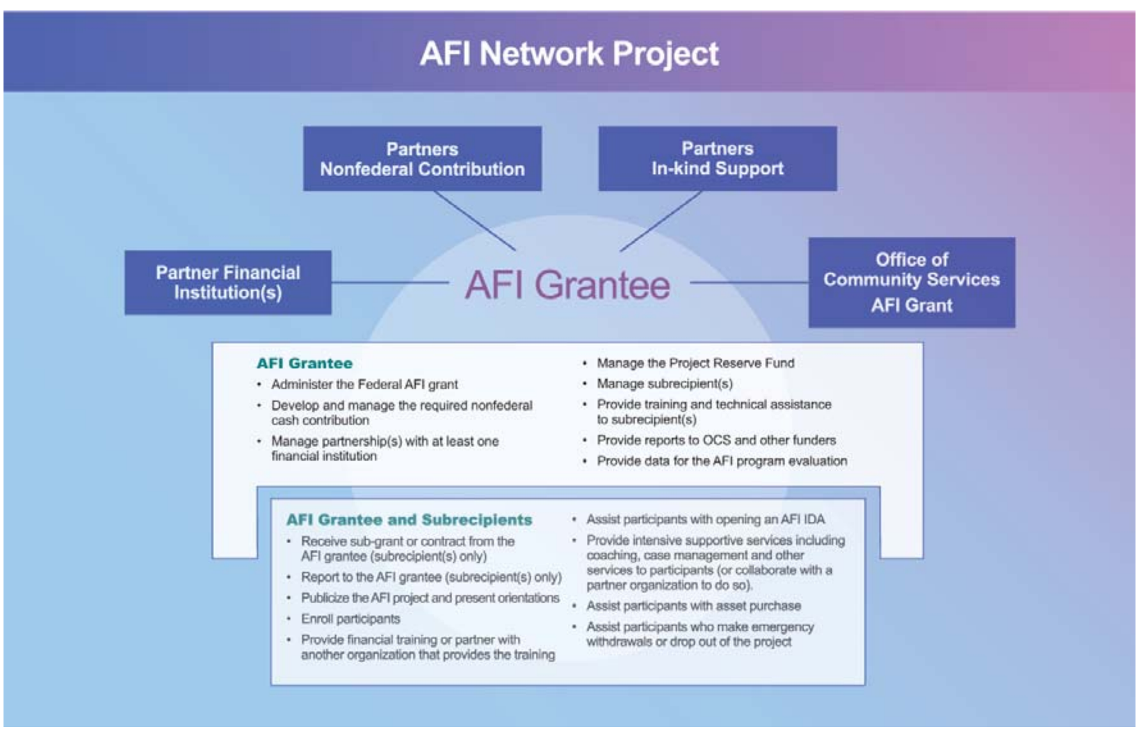


Exhibit 1.3
Organizational Structure of an AFI Network Project



Network projects also differ greatly in the degree of centralization. In decentralized networks, the grantee merely disburses the funds and reports on the grant, while each subgrantee operates its own AFI project independently. In some cases the lead agency may provide some technical assistance to the subgrantees. The responsibility for raising the nonfederal cash contribution is another responsibility that is often shared with the subgrantees in a more decentralized structure. In centralized networks, the grantee takes on greater responsibility. The grantee may develop common operational guidelines and policies, determine the financial education curriculum to be used, and manage the Project Reserve Account. In some cases grantees also manage all the documentation, the participant IDA accounts, and the asset purchases, as well as raise the full nonfederal cash contribution for the project.

Network projects have the advantage of combining and sharing the capabilities and resources of a number of organizations, but this also increases the complexity of administering and monitoring the progress of the project.

AFI Evaluation

Section 414(a) of the Act calls for an evaluation of AFI projects to be carried out by an independent research organization under contract to HHS. The evaluation is to analyze the effects of incentives and services on participant savings; the extent to which participant savings differ by demographic; the economic, civic, psychological and social effects of savings; the effects of project participation on savings rates, homeownership, postsecondary educational attainment, and self-employment; the potential financial returns from IDAs to the Federal government and other public and private sector investors over a 5-year and 10-year period of time; and the lessons learned from the demonstration project and whether an IDA program should become permanent. The Act specifies further that the evaluation is to utilize a control group to compare AFI project participants with nonparticipants, and to utilize both quantitative and qualitative data. A final evaluation is to be completed within one year following the conclusion of all AFI projects funded under the Act.

HHS selected Abt Associates Inc. to begin the evaluation. Given the resources available to support the evaluation, HHS decided upon a process study and an impact study using a national comparison group as the first priorities in meeting the legislative requirements. These two components of the evaluation are described below. Funding constraints did not permit the study of civic, psychological, and social effects of savings, or financial returns from IDAs to the government and other investors, to be included in this phase of the evaluation. Other research in the IDA field is currently addressing these topics. HHS is considering possibilities for including these topics in the next phase of the evaluation.

Process Study

The ***process study***, the basis for this report, provides a comprehensive picture of the development, planning, start-up, implementation, and operations of 17 selected AFI projects, 14 of which are detailed in the Project Briefs. (Three were considered not to have gained sufficient experience to offer lessons to practitioners.) Information gathered from extensive in-person interviews with grantee organizations, project administrators, partner organizations, and participants was used to develop case studies for each project. The case studies focused on: how the projects evolved, issues encountered and how they were resolved, lessons learned, and promising practices. The process study sites were selected purposively—not randomly—in consultation with HHS to encompass diversity along characteristics important in understanding project operations. Among the selection criteria used were:

type of grantee organization, AFI project size, region of the U.S., and urban or rural setting. Thus, the sites selected were not intended to be representative, but rather illustrative of the range of project models that exist among AFI grantees and of the ways in which project models may affect the experiences of IDA accountholders.

We visited five projects in 2001 and six projects each year from 2002 to 2005. Each year we visited three new sites and returned to three others from the previous year to examine how the projects evolved over time. Thus, most sites were visited in two consecutive years, as described in the next chapter.

Nonexperimental Impact Study[5]

The ***nonexperimental impact study*** examines the effects of IDAs on AFI participants, based on a three-year longitudinal survey of 600 participants nationwide. This study provides the first national empirical evidence to date on the effects of the AFI program on participant outcomes. The analysis examines the effects of AFI participation on homeownership, business ownership, postsecondary education, employment status (whether employed or self-employed and the amount of monthly earnings), and key components of net worth (financial assets, home equity, and consumer debt). It also examines whether participant outcomes vary systematically among accountholders of differing demographic characteristics, among AFI projects with differing design features and organizational aspects, and among communities with differing economic conditions.

The impact study is nonexperimental. For most of the outcome measures, participant outcomes are compared to outcomes for AFI-eligible nonparticipants in the general population. The comparison data on matched nonparticipants come from the Census Bureau's Survey of Income and Program Participation (SIPP).

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[5] Gregory Mills, et al., *Assets for Independence Act Evaluation: Impact Study: Final Report*, Abt Associates Inc., Cambridge, Mass., February 2008.

Chapter Two: Findings From the Site Visits

In this chapter we describe our principal findings from the process study with respect to:

- Raising nonfederal funds
- Achieving administrative efficiencies
- Forging organizational partnerships
- Recruiting and selecting participants
- Providing effective financial education
- Supporting project participants
- Adopting to feedback and shifting conditions

Exhibit 2.1 lists the 17 AFI projects visited for the evaluation between 2001 and 2005. This exhibit shows the year of the initial AFI grant funds received by the project organization and the years in which study visits were conducted.

Exhibit 2.1
AFI Projects Visited in the Process Study

Project Organization and Location	Grant Year	Timing of Site Visit(s)				
		2001	2002	2003	2004	2005
Community Services Agency (Reno, Nevada)*	1999	X				
Mercy Housing (Sacramento, California)*	1999	X				
Mt. Hope Housing Company (Bronx, New York)	1999	X	X			
Social Development Commission (Milwaukee, Wisconsin)	1999	X	X	X		
YWCA of Greater Pittsburgh (Pittsburgh, Pennsylvania)	1999	X	X			
Williamsburg Enterprise Community Commission (Kingstree, South Carolina)	2000		X			
Community Action Partnership of Sonoma County (Santa Rosa, California)	2000		X	X		
Tulane University (New Orleans, Louisiana)	2000		X	X	X	
Student Alternatives (Hidalgo County, Texas)*	2001			X		

Exhibit 2.1 *(Continued)*
AFI Projects Visited in the Process Study

Project Organization and Location	Grant Year	Timing of Site Visit(s)				
		2001	2002	2003	2004	2005
Manchester Neighborhood Housing Services (Manchester, New Hampshire)	2001			X	X	
International District Housing Alliance (Seattle, Washington)	2001			X	X	
Great Rivers Community Reinvestment (St. Louis, Missouri)	2002				X	X
Total Action Against Poverty (Roanoke, Virginia)	2002				X	X
Jefferson Economic Development Institute (Mt. Shasta, California)	2002				X	X
Partners for Self-Employment (Miami, Florida)	2003					X
AJFC Community Action Agency (Natchez, Mississippi)	2003					X
Allegany County Human Resources Development Commission (Cumberland, Maryland)	2003					X

*Not selected for inclusion in this report.

Although the operational landscape has evolved considerably since the program's inception, grantees must still accomplish the same fundamental tasks. Both by positive and negative example, our site visits yielded many insights about lessons learned with respect to the basic operational tasks. These are outlined below. Illustrative examples from the visited sites are given.

Exhibit 2.2 shows, for each of the 14 sites included in this report, the topic areas in which the site provides key findings.

Exhibit 2.2
AFI Project Sites with Key Findings, by Topic Area

AFI Project Location	A. Raising Nonfederal Funds	B. Achieving Administrative Efficiencies	C. Forging Organizational Partnerships	D. Recruiting and Selecting Participants	E. Providing Financial Education	F. Supporting Program Participants	G. Adapting to Feedback and Shifting Conditions
Grant year: 1999							
Bronx, NY		X	X				X
Milwaukee, WI		X	X	X			X
Pittsburgh, PA				X	X	X	
Grant year: 2000							
Williamsburg, SC					X		
Sonoma Co., CA	X	X	X	X		X	X
New Orleans, LA		X	X	X	X	X	X
Grant year: 2001							
Manchester, NH	X	X		X	X	X	X
Seattle, WA	X	X	X			X	X
Grant year: 2002							
St. Louis, MO	X	X		X	X		X
Roanoke, VA	X		X	X	X	X	
Mt. Shasta, CA	X	X			X	X	X
Grant year: 2003							
Miami, FL		X	X	X		X	
Natchez, MS	X		X	X	X	X	
Cumberland, MD	X						

A. Raising Nonfederal Funds

Securing nonfederal funds is critical to AFI projects, for it unlocks federal AFI grant dollars. Every project is financed in part with federal AFI grant funds and in part with nonfederal contribution. The nonfederal portion must be at least equal to the federal grant amount. Before a grantee may have access to its federal AFI grant, it must first secure an equal (or greater) amount of nonfederal funding.

The study sites obtained the nonfederal cash contribution from a wide range of local, state, and national sources. The most noteworthy nonfederal funding sources were as follows:

- Community Development Block Grants[6] (***Cumberland*** *and* ***Roanoke***)
- United Way (***St. Louis, Roanoke,*** *and* ***Seattle***)
- National tobacco settlement funds distributed through states and counties (***Mt. Shasta***)
- Foundations (***Natchez***, through the Foundation for the Mid-South)
- Federal Home Loan Bank (***St. Louis, Manchester,*** *and* ***Sonoma County***)
- State welfare funds (***Manchester***)
- Local Initiatives Support Corporation (***Seattle***)
- State tax credits for community development and economic development, which are sold to banks and other corporate sponsors (***Manchester*** *and* ***St. Louis***)
- Grants from certified development corporations, which help microenterprises to obtain financing through the Small Business Administration (***Mt. Shasta***)[7]

A number of AFI projects "self-financed" by pledging their own funds while working to secure resources from other nonfederal sources (examples are ***Manchester, Roanoke, Mt. Shasta, Cumberland,*** *and* ***Milwaukee***). This strategy enabled the grantee to access the federal AFI grant funds while awaiting other nonfederal funds. This was necessary in some instances—for example, when nonfederal donors disbursed funds in installments—but it posed risks. If the anticipated level of match funding failed to materialize (as occurred in ***Roanoke, Mt. Shasta, Cumberland,*** *and* ***Milwaukee***), the grantees needed to allocate their own funds instead.

Failure to obtain the nonfederal contribution can bring an AFI project to a standstill, irrespective of how well the project is doing, because no new IDA accounts can be opened until there is a

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6 Community Development Block Grant (CDBG) funds are federal funds, but may nonetheless be used to meet the required nonfederal contribution. To access these funds, an AFI grantee must negotiate with the state or local government agency that administers the CDBG funds.

7 The California Statewide Certified Development Corporation (CSCDC) is a nonprofit, tax-exempt organization certified by the Small Business Administration (SBA) as an intermediary in the market for financing to small business owners. CSCDC offers second-mortgage financing through the SBA-administered Section 504 program and also provides grants to local nonprofit organizations in support of microenterprise development.

combination of federal and nonfederal funding on hand to support the potential match amount. Consider the following examples:

- The ***Roanoke*** grantee had to downscale its project from 82 to 51 IDA slots—despite having 175 people on a waiting list.
- The ***Milwaukee*** agency also had to halt enrollment despite having dozens on its waiting list.
- The ***Natchez*** site had to downscale from 150 to 92 participants—despite having assembled generous packages of home purchase assistance worth over $30,000 per IDA participant.
- The ***Cumberland*** grantee also experienced problems obtaining the nonfederal match, jeopardizing their ability to fill all AFI slots.[8]

Creative partnerships can open up funding sources that the grantee itself may not be eligible for. One example was the successful sale of tax credits by the lead agency for the ***Manchester*** site. This is a funding option for community development entities such as community development financial institutions (CDFIs). The members of the New Hampshire IDA collaborative, to which the Manchester site belongs, benefited greatly from the fact that the grantee organization, a CDFI, raised $960,000 through tax credits and was able to earmark approximately $400,000 for AFI project administration, far in excess of the 13 percent of the federal AFI grant that would normally be available to deliver program services to accountholders and carry out administrative operations.

Partnerships with banks can open up funding from the Federal Home Loan Banks (FHLBs) in their regions (the ***Manchester, St. Louis,*** and ***Sonoma County*** sites). The use of FHLB funds as AFI nonfederal dollars is not straightforward, however, because of differences between the FHLB and AFI regulations. Especially problematic for AFI grantees is the required sequence of the opening of IDA accounts and the drawdown of FHLB funds. Some FHLB districts require that funds be drawn down on behalf of specifically named accountholders (i.e., *after* their IDA accounts have been opened). In contrast, AFI requires that nonfederal match funds be secured *before* IDA accounts can be opened. The ***St. Louis*** site devised a creative solution to this. First it identified potential participants through a screening process, then it provided FHLB with these names. This permitted the drawdown of FHLB funds. Once the FHLB funds were received in the reserve fund, these funds could qualify as the nonfederal match for AFI purposes.[9]

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8 Interestingly, despite these problems, several sites (e.g., *Roanoke and Mt. Shasta*) planned to apply for further AFI grants. Why would a new AFI grant be attractive if a site has had problems obtaining match funds for the previous one? There is the perception that funders would be more willing to contribute to a new project. A new AFI grant also provides more time (a new five-year period) to succeed, and it provides a fresh infusion of administrative funding (i.e., the 13 percent of the grant funds were for training and program administration and data collection).

9 This sequencing issue is not the only complicating factor in using FHLB funds for AFI projects. Specific guidelines differ by FHLB district, but in general they differ from AFI requirements in the following ways: funds must be obtained through a FHLB member bank (so AFI grantees must partner with an eligible bank); funds are available for home purchase only; funds cannot be used for administrative expenses; and funds are available for periods of three years or less (compared to five years for AFI grants).

B. Achieving Administrative Efficiencies

Another financial issue for AFI projects is the availability of resources to support training, coaching, and other services, and to pay general administrative costs related to the AFI project. Although the portion of the AFI grant that can be used for these vital costs has grown slightly over the years from 7.5 percent to 13 percent of the grant amount, with an additional 2 percent for data collection, AFI grant funds are not expected to cover all of a project's operational costs, so grantees must be creative about finding other sources of funding for these expenses.

In this context, efficiency is critical. In fact, insufficient administrative funds were among the most common challenges faced by the visited AFI grantees. The difficulty of operating an AFI project with the available administrative funds was evident in staff shortages and slippage in non-essential activities. In some cases, it nearly derailed even otherwise well-conceived projects. The ***Sonoma County*** site offers an illustrative example. The grantee operated a "sweat equity" project in which IDA funds were applied to families' new housing. The grantee's inability to raise sufficient funds for training and administrative costs threatened to imperil the AFI project just as additional families were scheduled to start construction on homes in a new housing development. These fund-raising difficulties also hampered the organization's attempt to launch a more intensive microenterprise program to move beyond its emphasis on homeownership.

A number of grantees were creative in organizing their AFI projects to make the most of their available funding. Some notable methods were:

- ***Operating several IDA projects at once***. This made sense where projects were similar enough that the infrastructure investments could benefit all of them. Among the study sites that did this were ***St. Louis, Milwaukee, Sonoma County,*** *and* ***New Orleans***. This meant having to accommodate several different sets of requirements. However, many of the activities are common to all IDA projects, and they take nearly the same amount of effort whether undertaken for many participants or a few. Developing a financial education curriculum or an account-tracking spreadsheet system are examples of such core functions. The virtue of attaining "economies of scale" is that it becomes worthwhile to undertake administrative activities that would be hard to justify for a small project. This strategy is most appropriate when there is a strong organizational commitment to IDAs, and when the staff capacity exists or can be developed.
- ***Using pre-existing resources***, such as existing financial education curricula and operational guidelines, rather than developing these in-house.
- ***Outsourcing project tasks.*** This was done in a number of ways:
  - ***Affiliating with local institutions.*** The ***Mt. Shasta*** site provided financial education and asset-specific training through courses offered at community colleges, so that these costs were borne by the colleges, not the AFI grantee.
  - ***Selecting and paying fee-for-service providers***. Several grantees were able to achieve efficiencies by paying their partner organizations on a fee-for-service basis to provide services to accountholders. This was done either informally or through a formal request-for-proposal process as at the ***New Orleans*** site. Some projects paid

other organizations a per-case fee for provision of specific program services, such as account opening ($150, at the ***St. Louis*** site), financial education ($100, at the ***New Orleans*** site), or case management (also $100, at the ***New Orleans*** site). Other projects paid a fixed per-case fee for all client services ($400, at the ***Seattle*** site).

- ***Making client-targeting choices that are "administratively lean."*** Serving individuals with major credit repair issues or unstable work histories requires proportionately more case management and support services. If these participants drop out, more resources must also be devoted to recruitment—a risky strategy for an organization strapped for operational funds. Conversely, selecting "IDA-ready" participants that need relatively little case management support to do well conserves resources. (This issue is discussed in more detail in the section on participant selection, using examples from ***St. Louis, Pittsburgh, Natchez, Roanoke, Mt. Shasta,*** *and* ***Manchester***.)

- ***Using low-cost labor***. Some projects successfully used graduate student interns (***St. Louis***) or VISTA volunteers (***Seattle*** *and* ***Bronx***) as junior-level project staff.

- ***Investing in a customized management information system (MIS) to reduce the effort of project tracking and monitoring.*** Many of the sites we visited complained of having to spend a great deal of time tracking and monitoring the project, and frequently blamed cumbersome or inefficient management information systems. Over the years, OCS has developed a new management information system (AFI[2]) to streamline these tasks. Some sites chose to invest in customized MIS systems to reduce the administrative burden of these tasks. The lead agency for the ***Manchester*** site commissioned a private vendor. The ***Miami*** grantee customized an existing in-house system to accommodate the data needs of the AFI project. Both sites reported satisfaction (and time savings) with the results.

- ***Forming "network projects."*** Organizations that are short on staff or technical expertise should consider joining a network project. Under AFI, the grantee is the convening agency, and member organizations are subgrantees. Network projects can lie along a spectrum of centralization. In a strongly centralized network, the convening agency—the AFI grantee—takes on a strong leadership and/or administrative role. A decentralized network, in contrast, disburses funds to operating agencies, each of which implements their IDA project in relative isolation. At a minimum, however, the grantee agency conducts certain administrative functions such as reporting to HHS. It may also do much more, as discussed below. Particularly if they are centralized, network projects can be a way to:

  – ***Stretch limited administrative resources.*** Where the network project is relatively centralized, the grantee takes on administrative tasks such as developing client pre-screening criteria, operational guidelines, financial education, funds disbursal, and administrative reporting. This means that operating partners do not need to incur the overhead costs of these tasks themselves.

  – ***Obtain technical and capacity building assistance.*** Most network projects, even decentralized ones, attempt to facilitate cross-agency communications. Regular meetings, as well as informal contacts, allow members to learn from each other's experiences and to share contacts and information. More centralized network projects—and others where the grantee has the ability and willingness to do so—also offer hands-on technical assistance, including troubleshooting and staff training.

The ***Seattle*** and ***Manchester*** sites were both subgrantees within highly centralized IDA network projects. In both cases the grantee conducted important tasks such as developing recruitment materials, project policies and forms, reporting, account monitoring, and even fundraising for the nonfederal match. The ***Williamsburg*** site belonged to a network project in which the grantee (South Carolina Association of Community Development Corporations) conducted a host of tasks, essential for small, generally low-capacity organizations in a rural area. The grantee provided the entire nonfederal contribution for its subgrantees; its partnership with the Federal Home Loan Bank's first-time homebuyer program made that program available to AFI participants within the network; it made available several financial education curricula that subgrantees could customize for their needs; it conducted training sessions for financial education trainers; and it helped with administrative tasks such as verifying information about allowable expenditures and writing the third-party checks for asset purchases. In contrast, the ***Milwaukee*** site was part of a relatively decentralized network project; even there, however, the grantee (Wisconsin Community Action Program Association) provided important networking and information-sharing opportunities, such as IDA roundtables at quarterly meetings, and it conducted the data reporting tasks required for the AFI grant.

C. Forging Organizational Partnerships

No single organization can operate an AFI project single-handedly. At minimum, AFI grantees must partner with a financial institution to hold the IDA accounts and/or project reserve fund. Most grantees partner with a range of other organizations, including asset-specific organizations (that promote homeownership or microenterprise, or that offer educational and career counseling), money management and credit repair agencies, housing authorities, and local community colleges and universities.

Well-chosen partners can provide a host of benefits. They may be able to conduct tasks (such as recruitment and financial education) more effectively, or more cost-effectively, than the grantee can. They can provide access to funding sources inaccessible to the grantee. They can provide publicity and referrals—all the better when partners also pre-screen their referrals for program eligibility.

In our site visits, we observed many examples of strong partnerships that worked to the benefit of both parties. We also observed some partnerships that failed to meet expectations. In a few cases, failed partnerships had major negative effects on the AFI project, especially when the failure cut to the core of a mission-critical task. The strongest partnerships were *strategic* rather than happenstance, in which all of these conditions were met:

- IDAs were consistent with the missions of both organizations.
- IDAs complemented the services offered by both organizations.
- Each organization benefited from the partnership.

- Both organizations shared expectations and an operational philosophy guiding the AFI project.
- Both organizations had the capacity to fulfill their responsibilities to the AFI project.

Such partnerships did not necessarily come easily. It was tempting, especially when time, staff, or funding was short, to select a partnering organization because it was a known entity, even though its focus and capabilities did not fit well with the intended role.

When partnerships did not meet expectations, it was sometimes the result of a failure to recognize differences in organizational philosophies. Each organization brought its own agenda and self-interest to the table. If these priorities were not compatible with the goals for the AFI project, the partnership added nothing to the project, or could actually detract from its success. A number of grantees ran into trouble because they assumed their own vision to be compatible with a partner's and failed to make sure that all parties were in agreement about the ground rules of the project. This arose with respect to financial institutions, especially when the latter took an active role in the AFI project (rather than being merely repositories of accounts). Financial institutions (including credit unions) tended to expect a clear payoff in terms of new business. If this was not forthcoming, the effort to maintain special arrangements for IDAs and/or reserve accounts, and to interact regularly with the grantee, was sometimes judged too burdensome. Financial institutions also tended to be pragmatic about IDAs, with little compunction about selecting applicants most likely to succeed, and terminating those making little progress at saving. At several sites (***Pittsburgh***, ***New Orleans***, and ***Sonoma County***), this led to disagreements about, for example, termination policies, minimum deposits, and whether homeownership participants should be required to obtain their mortgages at the bank holding the IDA account. Such factors undermined relationships to such a degree that initially enthusiastic financial partners eventually reduced or withdrew their participation from the AFI project.

In other instances of troubled partnerships, there was a failure to recognize the limitations in a partner's organizational capacities. Sometimes, a partnership that seemed logical on paper dissolved when faced with the realities of the partner's capacity to carry out their role. Two examples illustrate the point. Lacking the resources to provide case management on its own, the ***New Orleans*** grantee relied on referring partners to provide case management for AFI project participants. When the partners simply could not perform this role, the responsibility fell back onto the grantee, which was already struggling with a staffing shortfall. Similarly, the ***Pittsburgh*** grantee relied on the local housing authority to recruit participants. When the housing authority could not recruit enough qualified applicants, the grantee had no choice but to take on the task itself (for which it had no plan or dedicated resources). The lesson here is to think carefully before delegating to a partner a task that is mission-critical, beyond the partner's available resources or capabilities, or one for which there is little enforceable accountability.

The strongest partnerships are born out of rigorous introspection and a clear-eyed assessment on both sides. The first requirement is a realistic consideration of one's own organization and its strengths. This includes consideration of any "capacity gaps" for which that capacity cannot be developed in-house, or is not worth developing in-house. The next step is to consider the *kind* of partnership that could fill that gap. Perhaps it is a referral relationship, or service provision (for example, delivering financial education), or integration with a pre-existing program that provides access to additional benefits for AFI participants. Only *then* is it appropriate to think about which specific organizations to choose.

The most successful partnerships we observed were ones in which the grantee was able to follow one or more of the following principles:

Develop cross-referral relationships with complementary organizations. Nearly all of the visited projects relied on referrals from other organizations. This worked best when there was genuine synergy between asset building strategies and the services offered by the referring agency. What matters was not just the number of referrals, but whether these individuals were *appropriate* for the AFI project. For example:

- The ***Bronx*** site tracked the success rate (number of eligible participants) of referrals from various partners, to identify which organizations provided *productive* referrals. Then it focused on maintaining those partnerships specifically.
- The ***Milwaukee*** site referred IDA participants who need intensive financial education training to a citywide "Get Checking" program. This program was part of the citywide Asset Building Coalition, a partnership of 13 local financial institutions and other organizations that promote financial education and asset building among the city's unbanked households.
- To recruit partners, the ***New Orleans*** site actively marketed its AFI project by holding "training days" in which project staff educated potential partner organizations about what the AFI project could do for them.

Interweave the AFI project with a complementary program. A number of sites (***Miami***, ***Natchez,*** and ***Sonoma County***) went further than simply outsourcing project tasks, to an *integration* of the AFI project with home construction projects that used financing from multiple sources. Such integration greatly amplifies what each organization alone can offer. In ***Sonoma County***, for example, virtually all aspects of the AFI homeownership component were interwoven with partner Burbank Housing's "sweat equity" homeownership program. Burbank Housing had already conducted due diligence for its sweat equity program, thus reducing the burden of pre-screening for the AFI project. The partnership thus offered AFI participants access to affordable housing. When recruiting for its own program, Burbank Housing could offer IDAs as an additional source of home financing.

Keep partners engaged by involving them in decision-making. If the partnership is a benefit for both sides, partners will remain engaged. Many grantees that administer network projects host regular partnership roundtable meetings to discuss how the AFI project is going; their usefulness varied. Another way to keep partners engaged is to adopt a "shared governance" model in which partners jointly make major operational decisions such as the selection of participants. The ***Roanoke*** site involved partners directly in ongoing decision-making roles. It had a participatory process for screening applicants. Representatives from the organizations belonging to the partnership, including five financial partners, participated in the final stage of the selection process, when qualified applicants were scored and decisions were made on who would be accepted into the program. This ensured that the AFI project remained a high priority for partners and resulted in greater commitment to the project.

Consider partnering with an organization that is administering an AFI network project. For organizations that are short on staff or technical expertise, joining a network makes sense, as discussed above in the section on Achieving Administrative Efficiencies.

Select partners who can bring in additional resources, particularly the required nonfederal contribution. As discussed in the section on partnerships, a number of the visited grantees partnered with organizations that offered access to additional funding—for example, financial institutions that were eligible for IDA funding from the Federal Home Loan Bank system. As noted in that earlier section, one site (***St. Louis***) found a creative way to enable FHLB funds to be used as an AFI nonfederal contribution. Other grantees (for example, ***Roanoke, Miami,*** *and* ***Natchez***) successfully partnered with organizations that provided resources to supplement the AFI match, such as local housing authorities, housing development corporations, microenterprise loan groups, and agencies that can sell state tax credits.

Select partners that can extend the client base. A number of grantees selected partners for their ability to extend the reach of the AFI project, either geographically or to specific target groups. For grantees wishing to extend into rural areas, it is essential to partner with a financial institution that serves the target area or that has branch offices in those locations. For example, the ***Roanoke***, ***Mt. Shasta***, and ***Natchez*** sites selected financial institutions that had branches in outlying parts of the target areas.

Select partners competitively. Several sites went beyond their circle of "known" organizations and selected partners competitively. The grantee for the ***Seattle*** network project selected its members (subgrantees) competitively. As a local United Way, this grantee had experience selecting between service providers and had few qualms about doing so on a performance basis. The result was a network composed of organizations that already operated projects closely complementary to IDAs, which made the projects both efficient to run and effective. The ***New Orleans*** site used a competitive process to select organizations that it paid to provide financial education to project participants.

D. Recruiting and Selecting Participants

One indicator of the effectiveness of an IDA project is the number of participants who end up making matched withdrawals. Two of the critical first steps in arriving at this point are attracting interested individuals to the project (recruitment), and then enrolling those who are most likely to complete the program successfully (selection). These are discussed below.

Recruitment

A key factor in strong project startup is getting sufficient numbers of interested and motivated individuals to apply. A common hurdle is initial skepticism about IDAs (that they are "too good to be true"). Positive early momentum—success stories and then word of mouth—is the best way to overcome this. Most sites have relied on some combination of public outreach, word of mouth from existing clients, and referrals from other organizations. These methods are discussed below.

Public outreach and recruitment

Most of the study sites have had limited success with public marketing. Although mass advertising (such as radio advertisements, posters, or flyers) can get people in the door, it often draws less qualified candidates. The time saved in recruitment is then spent in extra effort to screen people for their readiness for IDAs, or else to deal with high attrition later. Most sites found that recruiting from among "known" clients—either their own or those referred by partner organizations—was more effective in the long run.

Existing client base

Working with a known client base can reduce the burden of screening inappropriate candidates, and the "trust barrier" of candidates' initial skepticism about IDAs is less of a factor. Recruiting from among one's own clients can be easily folded into existing services (such as informational sessions, workshops, or counseling sessions), reducing the expense and effort of recruitment drives.

The strategy only works, however, if asset building strategies generally and IDAs in particular fit well with a grantee's existing mission. If so, the applicants are likely to be good IDA candidates, and IDAs can easily be promoted as an extension of current services. If the "mission fit" is poor, however, existing clients may be an ill-suited applicant pool.

One positive example was the ***Manchester*** site. In the New Hampshire IDA Collaborative, a network project, the Manchester study site and other subgrantees recruited almost exclusively from within their existing clients. This worked well because the lead organization (the New Hampshire Community Loan Fund) chose its subgrantee organizations carefully. Almost all of them sought to provide affordable housing for their clients, so there was an excellent fit between the IDA homeownership component and subgrantees' other services promoting homeownership.

Referrals

Partnering with other organizations to provide referrals to an IDA project can be effective if these other organizations share common objectives with the grantee. As with the case of working with one's own clients, relying on external referrals is a sound approach if the "mission fit" is close between the AFI project and the partner's program activities. For example:

- The ***Sonoma County*** site identified virtually all of its project participants as referrals from Burbank Housing, the partner that operates a homeownership "sweat equity" program. The close integration between the AFI project and the partner's sweat equity program meant that neither organization had to go beyond its normal recruitment activities. It also meant that together, the two organizations were able to offer a stronger array of benefits to their clients than either could alone.
- The ***Milwaukee*** site tapped into its participation in two other programs that offer services complementary to IDAs: the citywide Milwaukee Asset Building Coalition and its own Job and Business Development Program. In each case, the AFI IDAs dovetailed neatly with the assistance provided by these other programs.
- At the ***New Orleans*** site, none of the founding organizations—a university and several banks—had a ready-made client base. They therefore invested much time and effort to

nurture new relationships with referral agencies. They held "IDA training days" to educate potential referral organizations about the AFI project and the IDA strategy. Once the initial momentum was created, referrals increasingly came through word of mouth.

General considerations

Some recruitment techniques make sense regardless of which overall strategies are used:

- *Frequent information sessions*: the ***Miami*** site held regular 15-minute information sessions three evenings a week for prospective clients.
- *Convenient office hours*: the ***St. Louis*** site kept evening and weekend hours.
- *Staff with personal credibility among the target group*: the ***Milwaukee*** project reached out to its target populations (refugee communities) through staff members with connections to local churches and temples. Initial distrust and skepticism were much mitigated by the connection with well-respected community figures.

Selection

Once program recruits come in the door, how should one select those to participate? In the early years of this study, grantees struggled over how restrictive to be—whether to adopt an open-door policy that affords the IDA opportunity to everyone, or to adopt more restrictive screening guidelines that favor those most likely to succeed.

Over the years this has seemingly become less of a dilemma, as grantees have become aware of the high costs of allowing ill-suited candidates to enroll. Once these participants open their accounts, they establish a claim on potential match funds held in the project's reserve account; these funds could be more productively used by stronger savers. Dealing with participants that are not progressing also puts high demands on staff to either support them, or terminate them and recruit anew.

Organizations that devote more effort to participant selection at the outset reduce the effort required later on for retention and case management. A selective screening process will attract more highly motivated participants, whose needs for knowledge and support are easier to meet, and who require less one-on-one attention. This of course reflects a pragmatic (but debatable) policy choice, that the program should not target its resources to the neediest segments of the eligible population.

Sites generally use one of three basic approaches to participant selection:

- An *open-door* policy, in which anyone meeting the basic AFI eligibility criteria is enrolled.
- A *"prove yourself"* approach in which any eligible individual is allowed to apply, but must demonstrate his or her commitment to the project before being allowed to enroll.
- *Explicit pre-screening*, in which eligible candidates are assessed according to specific criteria for acceptance into the project.

We observed open-door policies more frequently among early AFI grantees than later ones. Where we observed open-door policies among more recent grantees (for example, ***Cumberland***), it was primarily because of difficulties recruiting from a limited population base in the outlying rural area.

A modified open-door approach was adopted by the ***New Orleans*** site. There were no prerequisites for enrolling apart from the basic AFI criteria; however, there were penalties for low activity later. Those who failed to make a deposit in three months were required to demonstrate commitment in a variety of ways to be able to continue in the project.

Examples of "prove yourself" strategies included:

- Attending two two-hour orientation sessions, which included completing all application paperwork and making an initial $10 deposit (***Miami***).
- Attending a series of meetings, including one-on-one meetings with project staff (***Milwaukee***).
- Completing some or all of the financial education classes (***Mt. Shasta, Manchester,*** *and* ***St. Louis***).

Examples of pre-screening processes used by sites included:

- Assessing and grouping applicants into one of three possible categories depending on their readiness to save. Enrollment was then conditional on completing the requirements for that group, such as financial education or credit repair (***Natchez***).
- Conducting a mid-course assessment to ascertain whether participants should remain in their current AFI project or be transferred to another one better suited to their capacities and needs (***St. Louis***).
- Requiring a five-step enrollment process that evaluates each applicant. Participants were required to attend a 30-60 minute orientation session, complete a two-hour money management workshop, complete an application package and provide a credit report, and have a one-on-one interview with a financial counselor to discuss household income and expenditures (***Roanoke***).
- Adopting a triage system in which participants "earn" the chance to open an IDA (***Pittsburgh***). This system gave everyone the *opportunity* to work toward opening an IDA, but *allowed* it only for those who were reasonably close to being mortgage-ready. (This was a homeownership-only site.) After an initial consultation with a financial counselor, individuals were grouped into one of three categories based on their potential to become mortgage-ready within 6 months, 6 to 12 months, or more than 12 months. Only those who were considered to be mortgage-ready within 12 months were allowed to open IDAs, attend the homeownership course, and receive one-on-one credit counseling. The others received a lower level of service, but when they were ready, they could "graduate" into the IDA-eligible group and open accounts.

E. Providing Financial Education

Financial education is considered by many IDA proponents to be *the* key piece of an AFI project. Indeed, some consider it even more significant than the savings incentive itself, because it has the potential to improve participants' financial behavior in a way that is more fundamental than, and far outlasts, the acquisition of any one asset. Financial education requires the following:

Curriculum

Among early grantees, developing the financial education component was one of the most difficult aspects of AFI project startup. There were few existing curricula to use, and developing one's own curriculum was difficult and time-consuming. Staff members often had little idea of where to start, what to include, or what resources were available to assist them in the process.

As the IDA field has matured, however, this situation has improved dramatically. More financial education curricula are available. There is more information exchange about what works and what does not. Listservs, conferences, and informal peer interaction are routine resources that were not available to the earliest grantees. Consequently, by the fifth year of the process study, the financial education component had become fairly straightforward. All of the fifth-year sites we visited used pre-existing curricula from the wide selection available. Among the major curricula readily available are:

- *Money Smart* (Federal Deposit Insurance Corporation, or FDIC)
- *Making Your Money Work* (Purdue University)
- *Credit When Credit Is Due* (Consumer Credit Counseling Service of the Black Hills)
- *Finding Pathways to Prosperity* (CFED)
- *Credit Smart* (Federal Home Loan Mortgage Corporation, or Freddie Mac)

A number of sites purchased existing curricula, then adapted them for their own needs, for example by translating them into another language (***Sonoma County***), or supplementing them with their own materials (***Milwaukee***).

Delivery of Financial Education

Financial education varied widely among sites, in keeping with the latitude the AFI program gives grantees to tailor projects to their constituencies' needs. Among the study sites, financial education requirements ranged from 6 hours (***Cumberland***) to 21 hours (***Mt. Shasta***).

Financial education was used to identify motivated applicants at a number of sites (***St. Louis, Mt. Shasta, Manchester, Natchez,*** *and* ***Roanoke***), where individuals needed to complete part or all of the financial education requirement before being allowed to enroll. This ensured that participants truly understood what they were getting into; only those who were genuinely committed were able to proceed to the account-opening stage.

Sites varied in how they provided financial education, with some delivering it in-house and others out-sourcing it. Illustrative examples of ways to deliver financial education include:

- ***Referrals to other organizations' classes***: The New Hampshire IDA Collaborative, to which the ***Manchester*** site belonged, allowed participants to attend classes provided by either Collaborative members or partnering organizations, such as the state university's cooperative extension. This gave participants numerous options to attend classes that best fit their needs and schedules. The grantee reimbursed its subgrantee organizations $10 for each participant to offset the costs of providing training. Another subgrantee had agreed to provide training for higher education for $120 per participant. The ***Pittsburgh*** grantee also referred all participants to its financial partner's homeownership classes.
- ***Fee for service:*** The ***New Orleans*** site realized that it lacked the staff to develop or deliver a curriculum in-house. However, the project's advisory board *did* have ideas about what topics should be covered and how. It developed an RFP for curriculum development and delivery. Ultimately two organizations were selected, a credit counseling agency and a homeownership promotion agency. The two worked together to develop the curriculum according to the advisory board's specifications. Each delivered the training, with the AFI grantee paying them on a per-student basis. Perhaps because they received payment for each referral, these two organizations became among the project's most active sources of referrals.
- ***In-house delivery***: Some AFI projects, such as those at the ***Sonoma County***, ***Seattle***, and the ***Bronx*** study sites, preferred to teach classes in-house because this strategy allowed them to build trust and develop closer relationships with participants. These sites sometimes involved guest speakers from partner organizations such as financial institutions.

The ***Mt. Shasta*** site was noteworthy for having developed a creative method whereby staff provided financial education at no cost to the grantee. The local community college hired AFI project staff as adjunct professors to teach the financial education course to participants and other students. Students paid a nominal fee, and the college paid the adjunct professors for providing the classes. The AFI grantee incurred essentially no costs.

Asset-Specific Training

Asset-specific training varied widely, in both content and intensity, among the study sites. Homeownership training appeared to be the most well developed type of asset-specific training. Entrepreneurship participants typically referred to entrepreneurial assistance classes offered in the community. For those saving for postsecondary education, the assistance occasionally included some (occasionally minimal) career counseling. In some sites, such as ***Manchester***, participants were referred to a College Planning Center that offered information about various academic programs as well as sources for financial aid. At other sites, participants did not receive this level of support.

Peer Support

Most practitioners at the study sites agreed on the importance, and difficulty, of helping participants sustain savings discipline over time. They recognized that participants' motivation was among the most important factors in their success, perhaps even more important than income. Peer support was a powerful tool to maintain such motivation.

Among the biggest hurdles that AFI project staff must help participants overcome is the belief that attaining the savings goal is impossible. Even the most driven self-starters can suffer from fear and isolation. Many are the only ones in their social circles to have opened an IDA, and they feel as if they are “going up against the financial system” alone. “Hand-holding,” pep talks, and communal get-togethers are invaluable to help participants believe in themselves.

An organization’s success in helping participants stay the course can determine whether they succeed. At times, peer support occurs spontaneously in the course of financial education, as a team spirit is formed during classes. Yet formal mechanisms to promote peer support are rare. The following were among the mechanisms observed:

- Inviting successful AFI graduates to speak to current participants before, during, or after the financial education classes (***Sonoma County*** *and* ***Seattle***).
- Organizing a group trip to a local flea market as an exercise in controlled spending (***Williamsburg***).
- Drop-in peer support meetings approximately every three weeks. At these sessions, IDA participants discussed issues of common concern, heard from experts on follow-on topics such as home maintenance, and heard successful IDA graduates talk about how attainment of their goal had changed their lives (***Pittsburgh***).

F. Supporting Program Participants

One of the most fundamental tasks of an AFI project is providing support to participants so that they can attain their asset goal. Three aspects of this issue are discussed in this section: providing case management; assisting savers in completing their savings and asset purchase within the grant period; and including additional assistance above the IDA savings match.

Case Management

Case management refers broadly to the ongoing support provided to accountholders to help them meet their savings goals. It can vary from little more than account monitoring to personalized long-term relationships with clients.

The level of support participants *need* flows directly from decisions the grantees made previously about what types of applicants to admit to the AFI project—and the types of support they *receive* typically depends on the level of administrative resources. Especially among early AFI grantees, a number felt that AFI projects should be inclusive, allowing anyone who met the basic eligibility criteria to participate. However, this approach often brought in underqualified savers, large numbers of whom required intensive support services that the grantee was unable to provide. Such projects often struggled with high attrition and failure to attain savings goals. Over time we observed a trend toward more deliberate selection mechanisms that favored the most likely to succeed. These grantees rarely cited case management as a problem. The salient point is that successful AFI grantees must be realistic about these tradeoffs as they select populations to target and prerequisites for enrollment in their project. There is no right answer, but grantees should be aware of the tradeoffs they make (between selection criteria and case management needs) when they determine their entrance requirements.

The need for case management support also varies over an individual's participation in an AFI project, with more intensive support typically needed in the beginning (to define a savings plan and get used to a regular savings regime) and at the end (to prepare for asset purchase).

A number of grantees outsourced some case management functions. Whether this made sense depended on the organization's expertise, its staff capacity, and the capacity of the organizations to which it referred clients. Our observations suggest that outsourcing support services worked better for *financial* support services such as credit review and credit repair counseling, financial counseling (e.g., budget review and development of a savings plan, selection of the most appropriate asset goal) and assistance to help participants access other sources of financial assistance to complement the IDA match.

Grantees that were CDFIs or homeownership agencies were likely to already provide these types of services in-house. (For example, the ***Seattle*** and ***Manchester*** sites found it easy to provide these services, as housing organizations with experience in homeownership preparation.) Others, such as social service agencies, found it more effective to outsource them. Among the early grantees that we visited (which were frequently social service agencies), the provision of financial support services was a major challenge for which many felt ill-equipped. Over time, grantees realized it was more efficient to outsource financial support services to specialized organizations, either through referrals or fee-for-service.

Outsourcing financial support services works well because these are usually discrete, stand-alone activities. Among the sites that successfully did so were ***Sonoma County***, ***New Orleans***, and ***Pittsburgh***. Outsourcing other types of case management support, however, can be risky—tempting though it might be when administrative resources are lean. Other types of case management support include account monitoring (e.g., checking that deposits are made regularly and following up if not) and the provision of support to get participants over a difficult spell in their savings program. Outsourcing these tasks to others can be a risky strategy because, first, the partners may lack the capacity to do it; and, second, failure to do it well cuts to the heart of a grantee's core responsibilities with respect to grant performance.

The experiences of the ***New Orleans*** and ***Pittsburgh*** sites provide cautionary examples. Without funds to support case managers internally, the ***New Orleans*** grantee adopted a decentralized case management structure in which case management was to be done by the referring agencies. The referring agency would be the participant's "home" for purposes of case management. However, despite prior agreements, many of the initial partner agencies simply did not have the staff resources required to fulfill this role. Furthermore, as the project's word-of-mouth reputation grew, many clients turned out to be self-referred walk-ins who had no natural case management home. The responsibility for managing all such clients fell, by default, to the grantee anyway.

Similarly, the ***Pittsburgh*** grantee dispersed case management tasks to its financial partner for financial services, and to its own caseworkers for another program, the Family Self-Sufficiency program (FSS). However, the FSS caseworkers were overburdened and could not provide strong support, while poor communication with the financial partner resulted in the grantee having little sense of, or control over, who was being enrolled and when.

Additional Financial Assistance Beyond the AFI Savings Match

AFI projects can support participants by helping them access additional sources of financial assistance for their goals. Some study sites did this very creatively, most often with respect to homeownership assistance. Examples included:

- For first-time homebuyers, some AFI grantees were able to combine the IDA match with other financial assistance for homeownership. This was particularly helpful in areas where housing costs were relatively high. Sources include the federal Housing Choice Voucher (Section 8) homeownership program, the Federal Home Loan Bank Home Start Program, the Mississippi Home Corporation, the federal HOME program, Habitat for Humanity, and municipal government programs (***Natchez, Miami,*** *and* ***Seattle***).
- Public housing authorities sponsored homeownership programs for their tenants, such as lease-to-own programs in which a portion of the rent was put into escrow to be used later for a down payment (***Roanoke***).
- Local housing development corporations were sources of below-market mortgage products and assistance with down payments and closing costs. Microenterprise organizations were sources for business loans (***Roanoke*** *and* ***Miami***).
- Some grantees allocated Community Development Block Grant (CDBG) funds to individuals buying homes in targeted neighborhoods, coupled with property tax deferrals to eligible buyers (***Cumberland***).
- One site allowed its AFI participants to open IDAs in the form of two-year Certificates of Deposit (CDs), which earned a higher interest rate than a normal IDA but also carried a penalty for early withdrawal. Participants could make regular deposits to these "IDA CDs" just as they would with a savings account (***Seattle***).

G. Adapting to Feedback and Shifting Conditions

Operating a successful AFI project is complex and challenging. Successful grantees tend to be "adaptive learners"—those who make the most of others' learning experiences, and are prepared to test ideas, seek feedback, and then make changes. Certainly all organizations do this to some extent, but in our observation of a variety of AFI grantees, the most effective ones are operated by organizations that are most open to adaptive learning.

One particular issue that requires adaptation by grantees in the latter stages of their grant period is the need to ensure that existing and late-enrolling participants are focused on the achievement of their savings goals within the limited number of remaining months before grant expiration.

Adaptive Learning and Evaluation

To a large extent, early AFI grantees learned by doing. Fortunately, as mentioned previously, in recent years the knowledge base for IDAs has grown exponentially. There are now numerous resources to help organizations resolve the challenges of operating an AFI project, at all levels—locally, regionally, and nationally. Ways to engage in adaptive learning include:

- Learning from others' experiences by attending grantee conferences, mining websites, participating in program and IDA field listservs, and networking with other organizations that offer IDAs to learn from their experiences.
- Consulting sources of useful practitioner-oriented information, such as the ones listed in the final section of Chapter Three of this report.
- Testing the feasibility of an AFI project for an organization by conducting a short-term pilot project before undertaking an AFI project. The New Hampshire Community Loan Fund (with seven accounts in Concord, NH, preceding the ***Manchester*** project), the ***New Orleans*** site (with 50 accounts), the Roanoke site (with 60 accounts), the ***Mt. Shasta*** site (with 26 accounts), and the ***Cumberland*** site (with 30 accounts) did this.
- Seeking information from regional and state projects. The IDA coalitions to which our ***Seattle***, ***Manchester***, and ***Milwaukee*** sites all belonged were able to provide them with useful information and resources. At some of the more centralized collaboratives (such as the Seattle and New Hampshire ones) the grantees took on operational tasks such as developing operational manuals and procedural guidelines.
- Actively seeking feedback from organizational partners and then acting on this information.
- Assemble a local network of advisors who know the local project, the community, and the problems, yet can bring a different perspective. In some sites, such advisory groups have been composed of representatives of organizations with experience in administering AFI projects or other IDA efforts. At the ***Manchester*** site, for instance, the incidence of small IDA withdrawals posed a burden on the operating partners affiliated with the New Hampshire Community Loan Fund. The suggestion was made and adopted to establish a minimum ($50) withdrawal amount. This has greatly lessened the workload on the local IDA organizations throughout the state. Other times they were composed of partner organizations with an interest in the project's success, such as financial partners. The ***New Orleans*** and ***Sonoma County*** sites enlisted financial institutions to help them think through the issues of project design, such as developing procedures and policies, recruiting partner organizations, and developing the framework for financial education. However, in both cases, the financial partners eventually lost interest in the AFI projects, feeling that their investments had not yielded enough additional business. In assembling such an advisory group, therefore, it is important to consider the return on the time and input invested in the AFI project—for example, for financial institutions, it may be in the form of preferential access to the resulting loan business.
- Undertake ongoing evaluation activities to assess progress. Some of the most adaptive sites did this. Such activities could be formal or informal, ranging from a spreadsheet

tracking the success of various recruitment methods (***Bronx***) to systematic evaluations tracking project performance (***Seattle***). Some sites used evaluation researchers at nearby colleges or universities (***Seattle, Manchester,*** and ***St. Louis***). Each of these sites was then able to make useful midcourse corrections, based on the findings of these evaluations.

Helping IDA Participants Finish on Time

As accountholders advance through the AFI project, it is essential for staff to keep track of time, in order to ensure that as many participants as possible attain their goals before the savings period ends. The grantees we visited became more alert to this issue as time progressed, having learned that a participant who fails to meet the savings goal in time is a lost opportunity. Ways to manage the time available include:

- ***Monitoring accounts closely and following up promptly.*** Participants should be periodically reminded of the required level of savings to stay on track.
- ***Setting an alternative savings goal if necessary***. If the original savings level appears infeasible an alternative target should be set that is easier to attain. For instance, a participant who has been unable to save adequately for home purchase could re-focus on a more modest goal such as taking additional college coursework.
- ***Imposing a short savings period*** (two years or less), followed by a fairly lengthy time to make the matched withdrawal. The advantage of this strategy is that, if participants drop out or exit the program without fully using their match funds, the grantee can reallocate unused project funds to new enrollees. Short savings periods (as at the ***New Orleans*** and ***Mt. Shasta*** sites) also encouraged participants to establish their savings habit quickly.
- ***Making provisions for "stopping the clock" where necessary***. Many sites allowed participants to "stop the clock"—to take a leave of absence from the program (up to some specified number of months) if they experienced difficulty in meeting the savings requirements (***Manchester*** and ***Mt. Shasta***).
- ***Enrolling participants in classes or "cohorts" that progress through the program together***. Peer mentoring and support networks tended to develop more easily this way, as individuals shared experiences and as the group jointly dealt with the challenges faced by individual members (***Roanoke*** and ***Mt. Shasta***).

A special case arises as AFI grants near their expiration dates. As grant periods near their end, grantees must be alert to the implications of a savings period truncated by the grant expiration. As we visited grantees nearing the end of their grant period, we observed them becoming more selective in picking incoming participants who needed less support to succeed. We also observed grantees promoting postsecondary education more aggressively than homeownership, as additional education could be pursued without as large an accumulation of savings as required for home purchase. Another common tactic was applying for a new AFI grant. This allowed them to place incoming participants into a "newer" AFI project with a longer remaining savings period (and also permitted drawdown of fresh administrative funding).

Examples of how sites dealt with impending grant expiration are listed below:

- Promoting microenterprise and/or post-secondary education to all but the most well qualified participants (***Sonoma County*** and ***Bronx***).
- Considering adopting stricter rules to require quick savings starts after opening an IDA account, such as requiring that participants open IDA accounts within three months of enrollment (***Seattle*** and ***Manchester***).
- Considering dropping participants who had failed to complete the financial education requirement on time, and becoming more vigilant in monitoring participants' progress (***Manchester***).

Chapter Three: Concluding Assessment

The IDA landscape has changed dramatically over the five years of the process study. The early AFI grantees visited first in 2001 were charting relatively unknown territory, with no conventional wisdom as to the types of participants that IDAs are best suited for or how stringent project rules should be. Five years later, a wealth of collective experience has been gained. By the time of our 2005 site visits, few grantees spoke of “going in blindly” or “learning by doing,” as did their earlier counterparts. With this body of experience to draw upon, new projects begin operating at a much higher level of knowledge and sophistication than before.

A. Issues that Have Become Less Challenging to AFI Grantees

Some issues are less problematic today than they were five years ago:

Setting Basic Design Features of the AFI Project

In the early years of this evaluation, we observed many projects struggling with operational questions that arose out of an underlying ambiguity about what IDAs were meant to achieve. Were IDAs primarily meant to promote positive behavioral change (saving), or were they a financial product focused on a concrete goal (asset purchase)? Which applicants were most appropriate for IDAs—the neediest individuals or the most savings-ready? How lenient or strict should program requirements be (as regards minimum deposits, missed deposits, or emergency withdrawals, for instance)? How tolerant should organizations be of unrealistic savings plans, or of slow participant progress?

Over the years, sites have become more pragmatic about these questions. The track record indicates that IDAs are not for everyone. Latter-day project operators typically focus on the “IDA-ready”—those whose incomes, credit histories, and motivation make them good prospects for attaining their savings goals—and have well-established ways of identifying these candidates. Organizations now routinely pre-screen applicants for IDA-readiness, require applicants to demonstrate their commitment before being allowed to enroll, and terminate unproductive accounts to free the funds for others. Organizations are also flexible in allowing lump sum saving deposits that move participants closer to their savings goals, such as Federal Earned Income Tax Credit refunds.

Moving From Grant Award to Project Startup

The earliest (FY1999 and FY2000) AFI grantees often struggled to get their projects up and running. Our Second Annual Site Visit Report (2002) noted that to one degree or another, most staff members felt that they had to “learn by doing” largely on their own.[10] Many of the early sites we visited were surprised at how difficult and time-consuming startup tasks were. In such uncharted waters, staff members had to navigate their way in substantive areas that were entirely new to them.

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[10] Michelle Ciurea, et al., *Assets for Independence Act Evaluation: Second Annual Site Visit Report*, Abt Associates, Cambridge, MA, December 2002, p. 77.

The financial education component of an AFI project was one of the most difficult to implement. There were few educational curricula available for low-income asset-building initiatives, and project administrators felt poorly qualified to choose among them. Some sites ended up developing their own curricula in-house—a substantial challenge for those early grantees whose IDA staff had little experience in financial education. Developing operational policies—e.g., how strict to be with infrequent savers, how tolerant to be of unrealistic savings plans—was also difficult.

Now there is a body of knowledge that practitioners can draw upon for guidance. Financial education curricula can be purchased and there are resources available on the Internet and elsewhere to help inform the development of programs.

Limiting the Needs for One-On-One Case Management and Support Services

Many early AFI grantees underestimated the effort and expense of routine project operations. Case management was one area that frequently was more difficult than anticipated. Particularly in projects that had an inclusive "open-door" approach (requiring lots of one-on-one support of participants), staff members often felt overwhelmed with the demands of case management, and frustrated by high levels of attrition or failure to attain savings goals. By the fifth year of this study, burdensome case management was rarely mentioned as a problem, probably because rigorous pre-selection had resulted in fewer participants requiring extraordinary support to succeed.

Project startups today appear to encounter fewer surprises. Many of the difficult lessons learned by early grantees have now become conventional wisdom. Thanks to information sharing and collective learning within the IDA field, organizations launching AFI projects no longer need to start anew.

B. Issues That Remain Challenging for AFI Grantees

There are issues that remain a challenge in operating an AFI project. Nonetheless, recent grantees do benefit from others' experiences about what does or does not work. The later sections of this report focus on such findings.

Attracting Sufficient Numbers of Interested Applicants

Insofar as each grantee starts recruiting from among individuals who are new to IDAs, they must overcome the same challenges: overcoming skepticism and possibly unrealistic expectations, and simply getting applicants in the door. Among the challenges are identifying good target populations, forging strong referral partnerships, and establishing a good word-of-mouth reputation. Recent grantees varied in their success in doing this, no less than their predecessors.

Managing Participants for Successful Attainment of Savings Goals

Some of the challenges to having participants succeed as savers are presented by the external environment—for example, how to manage participants who want to purchase homes in a prohibitively expensive housing market. Some grantees have become savvy in "layering" other forms of homeownership assistance atop the IDA savings and match to make this possible. Others push participants harder to consider their prospects realistically, sometimes steering individuals with credit problems or insufficient incomes toward savings goals that may be easier to attain, such as education or entrepreneurship.

Another challenge is how to manage participants when the AFI grant period is near its end and the remaining savings period is short. Often the solution is to pre-screen more aggressively for participants who can meet their savings goals in a short period of time, and/or to steer enrollees toward savings goals that can be completed in less time, such as education or business startup.

Navigating the Regulations of Diverse Funding Agencies

Although the increasing number and diversity of players in the IDA field have opened up new opportunities, it has also made it more complex to operate an AFI project in tandem with non-AFI IDA programs. Partnerships with TANF agencies, housing authorities, and donors such as the Federal Home Loan Bank have opened up funding opportunities, but the array of different regulations that must be reconciled has become at times bewildering.

Raising Nonfederal Funds

The environment for fundraising is no easier than it was when the AFI program was first authorized; indeed, it may be more difficult. As IDA projects have proliferated, AFI program grantees are facing greater competition for funds; donors now sometimes have to choose between several IDA projects in their area. A number of the sites visited in this research had to freeze otherwise successful AFI projects because of inability to raise the required nonfederal cash contribution. As OCS became more flexible in its requirement for having nonfederal match money in hand when the organization applies for an AFI grant, we observed that more grantees experienced problems making good on match money promises.

Additionally, there is the challenge of identifying financial partners that are willing to accommodate the particular needs of AFI projects, such as maintaining IDA accounts and reserve accounts. At several sites, financial partners ultimately decided that they are better off operating IDA projects in-house, on their own terms.

Dealing With Constraints on AFI Grant Funding

Despite increases in the allowable grant share for administrative operations and program services (from 7.5 percent to 13 percent, excluding evaluation-related costs), lack of funding remains a challenge in the nonprofit world. Creative solutions to this have included: low-cost staffing solutions such as VISTA volunteers and interns; outsourcing more project functions to partners; designing projects so as to minimize administrative costs (e.g., through participant selection criteria that favor “low-maintenance” accountholders); and creatively leveraging the organization’s internal resources to permit AFI functions to be covered through other sources of funding. Nevertheless, the inadequacy of administrative funding has been one of the most significant, and consistent, problems that AFI project staff have voiced over the five years of site visits conducted under this study. Indeed, we have witnessed a number of critical tasks being neglected because of insufficient administrative funds. These tasks include recruitment, participant monitoring, self-assessment, and case management.

C. Summary of Promising Practices

This report draws upon the experiences of 14 visited AFI projects in addressing common challenges faced by AFI grantees. We summarize below a number of the more promising practices observed during this evaluation.

Strategies for raising nonfederal funds:

- Being thorough and creative in seeking funding sources for the nonfederal cash contribution by contacting organizations such as financial institutions, state and local government agencies, and foundations.
- For projects where one of the partner organizations is a community development financial institution, selling tax credits to raise nonfederal funds.
- Accessing Federal Home Loan Bank funds through the project's financial institution, being careful to meet the drawdown requirements of both AFI and FHLB.
- While waiting or working to secure resources from nonfederal sources, self-financing the nonfederal contribution by pledging the grantee organization's funds, allowing the full grant amount to be drawn down and earn interest.

Strategies for achieving administrative efficiencies:

- Operating an AFI project along with one or several other non-AFI IDA projects, to share administrative resources, consolidate staffing, and achieve economies of scale.
- Outsourcing project tasks such as financial education or case management by partnering with local organizations, or by arranging for providers to deliver program services on a fee-for-service basis.
- To help administer the project, using volunteers or interns, such as VISTA workers or graduate students.
- Forming a network project, allowing various project tasks to be shared among several organizations.

Strategies for forging organizational partnerships:

- Carefully reviewing your organization's own capabilities, strengths, and weaknesses, as well as those of potential partnering organizations, and selecting partners that can provide capacities that are not easily developed in-house.
- Selecting partners that can extend the client base or can bring additional resources to the project.
- Integrating the AFI project with a complementary program, such as a homeownership program or microenterprise program.
- Keeping partners engaged by involving them in the decision-making process.

Strategies for recruiting and selecting participants:

- Targeting current and past clients of the grantee or partner organizations.
- Holding frequent information sessions, keeping convenient office hours, and using staff with personal credibility within key target groups.
- Pre-screening applicants to identify those more highly motivated, for example by requiring completion of a financial education course before allowing an applicant to open an IDA account.
- Screening for IDA-readiness (especially, readiness for asset purchase) by requiring that applicants clear up their credit profile before enrolling in the project.

Strategies for providing financial education:

- Using pre-existing program materials such as readily available financial education curricula often available in other languages, rather than developing these materials in-house.
- Outsourcing financial education to organizations that already provide it.
- Supplementing financial education with peer support by inviting successful AFI graduates to speak at financial education classes.

Strategies for supporting program participants:

- Being creative in searching for additional financial assistance for the AFI participants, such as through a lease-to-own program under the local housing authority or business loans for those with a microenterprise asset goal.
- Outsourcing support services that are not easily developed in-house, such as credit repair, to organizations that have the capacity to deliver these services to the AFI participants.

Strategies for adapting to feedback and shifting conditions:

- Implementing a pilot IDA project to inform the development of an AFI project.
- Staying informed on current practices in the IDA field and learn from others' experiences—then being prepared to test new ideas, seek feedback, and make changes.
- Undertaking ongoing evaluation activities to assess progress.
- As the grant expiration date nears, enrolling participants who are more IDA-ready (e.g., have cleared up any credit problems); who are able to meet higher monthly savings levels; or whose asset goals are more limited (e.g., additional postsecondary education rather than home purchase).

D. Additional Information Sources and Closing Thoughts

There are numerous information resources available to IDA practitioners, and new materials become available all the time. A good place to start, however, is with three of the leading organizations in the IDA field:

- U.S. Department of Health and Human Resources, Office of Community Services, (***http://www.acf.hhs.gov/programs/ocs/afi/***). The OCS website offers information on AFI program rules and regulations. Technical training and assistance is also available, including periodic conference calls on specific subjects, web-based seminars, intensive two-day "effective practices" training sessions, and customized technical assistance by phone and in person. The agency also sponsors an AFI listserv for grantees to share information. Examples of OCS reports that address some of the topics in this report (albeit in more detail) are: *Asset Building Best Practices: Homeownership* (transcript of conference call held on January 11 and 12, 2005); *Strategies to Meet the Challenge of Recruiting to AFI Projects* (report on conference call held on February 14 and 15, 2006); and *Continuous Improvement for Strong Project Administration* (summary of tips on project design, October 2005).
- CFED *(www.cfed.org).* CFED offers information about training and technical assistance; it also sponsors annual conferences on IDAs and asset building; and it maintains a major IDA listserv (idanetwork@cfed.org).
- Center for Social Development of Washington University in St. Louis *(www.gwbweb.wustl.edu/csd/).* An academic policy and research center that provides information and research on IDAs and updates on policy developments in the asset-building field.

Finally, useful resources are available from subject experts, such as homeownership promotion organizations (e.g., Neighborhood Reinvestment Corporation), microenterprise organizations (e.g., Association for Enterprise Opportunity) and credit repair agencies (e.g., Consumer Credit Counseling Service). Additional resources are provided as links from the websites listed above.

The AFI program has matured dramatically, as has the entire IDA field, over the five years of this evaluation—and it continues to do so. Practitioners know that successfully operating an AFI project is a complicated undertaking. Strong recruitment, strategic partnerships, adequate administrative funding and staffing—these are all necessary factors, and none is by itself sufficient for a strong project. Compared to the pioneering IDA program administrators of the 1990s, however, today's practitioners have a considerable body of knowledge about effective practices and common pitfalls. Furthermore, the IDA field is still informal enough that most projects are eager to share their experiences with those facing similar challenges.

The potential of IDAs to help the poor lift themselves into socioeconomic stability and prosperity is powerful. The capacity of IDAs to inspire has attracted talented practitioners into the IDA field. Their collective wisdom, and their willingness to share it, are signs that the IDA field will continue to mature, expand, and offer the hope of asset accumulation to participants in the years to come.

Appendix

Project Briefs

Overview of Project Briefs

This appendix contains 14 Project Briefs, each providing a brief description and summary findings for an Individual Development Account (IDA) project that received federal grant funding under the Assets for Independence (AFI) Act. These briefs were prepared from detailed case studies completed previously by Abt Associates, based on site visits conducted between 2001 and 2005.[11] As indicated in each Project Brief, the study sites were each visited on one, two, or three occasions.

The findings obtained from these briefs have been useful in a number of ways. First, this research has shed light on how AFI projects and participants interact; that is, on how certain AFI project features may have affected participants' experiences with IDAs. The research has also indicated whether AFI projects were implemented as they were intended. In examining the experiences of the selected projects over several years—how they evolved, what issues arose, and how these issues were resolved—the process study has created an evolving portrait of selected projects. It has thus been a useful complement to the "snapshot" data on project characteristics provided in HHS' annual reports to Congress on the national AFI program.[12] The process study has also provided information helpful to interpreting the findings of the impact study component of the national AFI evaluation, which has examined the effects of AFI project participation on savings, asset ownership, and other key outcomes for individual accountholders.

[11] These previous case studies were included in the following series of annual site visit reports: Michelle Ciurea, et al., *Assets for Independence Act Evaluation: First Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., June 2002; Michelle Ciurea, et al., *Assets for Independence Act Evaluation: Second Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., December 2002; Gregory Mills, et al., *Assets for Independence Act Evaluation: Third Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., March 2004; Gregory Mills, et al., *Assets for Independence Act Evaluation: Fourth Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., March 2005; and Gregory Mills, et al., *Assets for Independence Act Evaluation: Fifth Annual Site Visit Report*, Abt Associates Inc, Cambridge, Mass., September 2005.

[12] See the annual AFI Reports to Congress from the U.S. Department of Health and Human Services, as follows: *Assets for Independence Demonstration Program: Report to Congress for Fiscal Year 1999*; *Assets for Independence Demonstration Program: Second Interim Report to Congress for Fiscal Years 1999 and 2000*; *Assets for Independence Demonstration Program: Third and Fourth Interim Report to Congress for Fiscal Years 1999-2002; Assets for Independence Demonstration Program: Fifth Interim Report to Congress for Fiscal Years 1999-2003; Assets for Independence Demonstration Program: Sixth Interim Report to Congress for Fiscal Years 1999-2004; and Assets for Independence Demonstration Program: Seventh Interim Report to Congress for Fiscal Years 1999-2005.*

Project Brief 1

Mt. Hope Housing Company
Bronx, New York

The Bronx-based Mt. Hope Housing Company (hereafter, "Mt. Hope") received a $137,569 AFI grant in FY1999 to support 83 IDA accounts. This AFI project was noteworthy for its adaptability, both to changing conditions and to the lessons to be learned from its own experience. The result was a project characterized by a highly personalized level of service, and by strong, well-planned partnerships that benefited both the grantee and its partners. Staff members were continually alert to the lessons to be learned from their own experience, and made refinements along the way. The study team made site visits to this project in May 2001 and May 2002.

This AFI project offers insights regarding:

- *Adapting to feedback and changing conditions*—A pilot project and careful tracking and analysis of the results of the pilot can lead to refinements that improve the project.

- *Achieving administrative efficiencies*—The grantee's ability to internally subsidize administrative functions helped the project.

- *Forging organizational partnerships*—Carefully planned partnerships can result in a division of labor that benefits all the partners.

Mt. Hope's AFI project is an example of a highly personalized way of providing IDA services. Participants received intensive one-on-one assistance and a wide range of supportive services to help them complete the project successfully. This approach was consistent with the organization's social service orientation, as well as with the level of staffing that it was prepared to commit to the project. While this model may not be appropriate for every AFI project, other aspects of it—the project's thoughtful approach to partnerships, its continual self-assessment, and its willingness to adapt to the lessons learned from its own experience—can apply to all AFI projects.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Mt. Hope Housing Company (Bronx, NY)

Urban/rural	Urban
Agency type	Community development corporation
AFI grant amount	$137,569
Number of funded accounts	83
Match rate (combined federal and nonfederal)	2:1
Maximum amount eligible for match	$1,500
Maximum match amount	$3,000
Hours of general financial education required	16 hours
Number of accounts opened (May 2002)	83
Percent of accounts opened, by intended use	Not available
Number of financial institutions	1

Project History and Development

The AFI project had its genesis in a pilot project that Mt. Hope had operated since 1996, about three years before applying for the AFI grant. The AFI grant supported 83 accounts, which could be used for home purchase, microenterprise, and post-secondary education, at a match rate of 2:1. At the time of our May 2002 site visit, during the project's third year of operation, all 83 slots had been filled, and there was a waiting list of 10 individuals.

The Mt. Hope Housing Company is a housing development company that owns and manages a number of apartment buildings in the South Bronx. It also offers a variety of other social services, such as employment assistance and training, a home maintenance program, and childcare. Interestingly, Mt. Hope promoted microenterprise development and postsecondary education rather than home purchase as asset uses. Mt. Hope staff believed that the high cost of housing in the Bronx made it an unrealistic and discouraging goal. Staff were concerned that a successful homeownership program might hamper its chances to obtain other funding for the project.

The AFI project benefited greatly from the administrative resources that Mt. Hope could offer beyond the AFI grant, effectively providing an internal subsidy. The 83-account project was supported by two full-time employees and by one part-time employee, and a VISTA volunteer. This made possible highly personalized case management; in-house development and delivery of a customized financial education curriculum; and extensive effort devoted to developing partnerships.

The IDA staff realized early the importance of developing sensible partnerships. They also tried to continually assess their own experience, both formally and informally. The experience with participant recruitment illustrates this. Initially, the AFI project was marketed together with Mt. Hope's other programs. After several months of limited success with this approach, the staff developed a strategy to market the AFI project separately. They focused on outreach to other community organizations, rather than to their existing clientele. Staff members targeted as potential partners several local organizations with similar missions. Mt. Hope staff began to forge relationships with them, developing and conducting presentations about the project. When organizations began to respond by referring clients, however, Mt. Hope found that many were not AFI-eligible. This prompted Mt. Hope to begin systematically tracking its enrollment rate from various partners, and to concentrate its efforts on partnerships with the most success in referring participants.

During the second year Mt. Hope began to reap the benefits of its prior year's outreach. Having strengthened its relationships with the key partners, Mt. Hope was able to shift some of the responsibility for pre-screening applicants to them. The project staff developed a pre-screening form that partners used to pre-qualify applicants. All the organizations described this as a win-win situation. Mt. Hope was able to focus its efforts less on recruitment and more on project operations, while the partners benefited from Mt. Hope's then referring IDA participants to their services as appropriate. Mt. Hope also enjoyed "preferred provider" status with its partners, for example by developing training courses specifically for AFI participants.

From the outset, the project staff were alert to the implications of the fixed-length (five-year) project timeframe. At our site visit in 2002, all AFI slots had been filled, and two years remained in the grant period. Nonetheless, program staff were concerned about working closely with participants to ensure that they achieved their savings goals before the grant expired. A candid discussion about savings goals had always been part of the project. Upon enrollment, the staff required that participants review their credit report and encouraged them to immediately enroll in the financial education course and engage in credit repair. Afterward, participants often developed a more aggressive savings plan or chose a savings goal that would be easier to attain. As time went on, Mt. Hope began to encourage microenterprise or education, as those goals could be attained more quickly than home purchase, and individuals could get their match in installments rather than having to wait until the end.

A high level of personalization was a hallmark of this project. With high and clearly articulated expectations, the project tended to attract driven, focused participants. Yet the staff knew almost everyone individually and provided intensive case management. When a client expressed anxiety about opening an IDA account, for example, a staff member would accompany him or her to the credit union. Staff members even occasionally made deposits on participants' behalf when their schedule prevented them from doing so.

As the project evolved, staff made every effort to accommodate participants' circumstances. Each cohort could determine the most convenient schedule for holding the financial education course. The course was delivered in-house because staff felt strongly that it would be more effective if the trainers were familiar with participants' individual needs. Personalized credit counseling was an integral part of the financial education course. When participants missed a deposit, staff members would call them to inquire why and to help them get back on track. Participants had a sense of being well known and cared for. Their loyalty to the project was striking, as was their willingness to "give back" (for example, by coming in after they had met their goal to speak to current savers). However, it is important to note that, even with four project staff members, this level of support was possible only with staff members who were willing to work overtime, including weekends.

Key Findings

This project offers some important insights into how a highly customized, personalized project operates as follows:

A pilot project informed the development of the AFI project. Mt. Hope had operated a small IDA program since 1996 with 10 accounts. Founded as a homeownership project and expanded in 1998 to allow other uses (including retirement, computer purchase, microenterprise, and postsecondary education). It served a higher-income population—up to 80 percent of area median income, or $50,250 annually in 2002 for a family of four. Mt. Hope applied many of the lessons learned to the AFI project—for example, the importance of clear and fairly demanding requirements, pre-screening, and intensive case management.

The grantee internally subsidized administrative functions. The organization's willingness and ability to internally supplement AFI administrative funding made it possible to adopt a highly personalized case management approach that arguably kept attrition to a minimum. (At the time of our last site visit, with all 83 accounts filled, the project had terminated only five accounts for low activity.) It also allowed the organization to devote extensive staff time in the startup phase to nurture strategic partnerships with other organizations, and to develop, as well as to deliver, the financial education component in-house. In part these investments were made organizationally because Mt. Hope viewed asset-building activities as a good long-term investment, and planned to continue offering such services even after the AFI grant expired.

The grantee's careful tracking and analysis of its own experience led to improvements in the project. This project was led by staff members who recognized the importance of systematically assessing their own experience, as well as learning from others. Realizing that its initial recruitment efforts were not succeeding evenly, the project undertook to systematically assess the success of all its recruitment efforts. In this way it was able to identify and focus on only the most fruitful partnerships.

Carefully planned partnerships resulted in a division of labor that benefited all partners. In the end, Mt. Hope's careful attention to developing *strategic* partnerships resulted in new referral sources. It also resulted in the project being able to effectively outsource, at no cost, a good deal of pre-screening. Finally, it attained for Mt. Hope "preferred partner" status at other organizations, in which customized services, such as training sessions, were developed for AFI participants specifically.

Project Brief 2

Social Development Commission
Milwaukee, Wisconsin

The Social Development Commission (SDC) in Milwaukee, Wisconsin is one of 14 subgrantees that received funding from a statewide AFI grant to the Wisconsin Community Action Program (WISCAP) Association. This project offers insights regarding:

- *Raising nonfederal funds*—A strong IDA project can be stalled by difficulties raising the nonfederal match.
- *Forging organizational partnerships*—A citywide asset-building initiative (the Milwaukee Asset Building Coalition [MABC]) raised awareness and created partnerships.
- *Achieving administrative efficiencies*—Offering AFI as part of a menu of asset-building services can stretch administrative resources.
- *Recruiting and selecting participants*—An indirect screening process (involving pre-enrollment requirements for referred and recruited individuals) ensures that applicants are motivated.

SDC has been successful in using IDAs to supplement its diverse array of in-house programs and services and to promote the MABC initiative. MABC is a partnership of public and private organizations in Milwaukee dedicated to offering asset-building strategies to the working poor. However, a weakening economy and competition among IDA programs for scarce resources have limited SDC's ability to fill its allocation of slots under the AFI grant to WISCAP.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Social Development Commission (Milwaukee, WI)

Urban/rural	Urban
Agency type	Community Action Agency
AFI grant amount[13]	$431,000
Number of funded accounts	463
Match rate (combined federal and nonfederal)	2:1
Maximum amount eligible for match	$1,000
Maximum match amount	$2,000
Hours of general financial education required	12 hours
Number of accounts opened (May 2003)	94
Percent of accounts opened, by intended use	65% homeownership 11% microenterprise 24% education
Number of financial institutions	3

Project History and Development

WISCAP is a trade organization for community action agencies (CAAs) in Wisconsin. All the agencies in WISCAP's network have extensive experience working with low-income clients and operating anti-poverty programs. Staff viewed IDAs as a great tool to add to help agency clients stretch the capital available for business startup or home purchase. Also, given that many of the organizations already provided microenterprise or homeownership training to their clients, much of the infrastructure was already in place for AFI participants, making it a good organizational "fit."

Subject to basic design guidelines, each WISCAP subgrantee is responsible for most aspects of AFI project operations, including raising funds, recruiting eligible participants, partnering with financial institutions and other community-based organizations, and providing financial education, asset-specific training, and case management to the participants. Each local project features a 2:1 match rate, allowing the participant to save a maximum of $1,000 and receive $2,000 in match funds.

WISCAP took the lead in developing the proposal for AFI funding. At the same time, WISCAP also successfully applied for funding for IDAs through the Administration for Children and Families' Office of Refugee Resettlement (ORR). WISCAP and ten of its member agencies operating AFI projects (including SDC) also operate ORR projects. By offering both, each organization has more flexibility in the types of asset-building opportunities that can be offered to its clients, as ORR allows a broader range of authorized asset purchases (including vehicles) and also provides added administrative funding.

[13] Calculated as a prorated share of the grantee's total AFI grant amount, based on the site's share of total funded accounts.

In September 1999, WISCAP received its initial AFI grant of $500,000 for a statewide project with 452 IDA accounts. WISCAP distributed the AFI funding among 14 of its local member organizations, including SDC. WISCAP focuses on fiscal management and coordination among its subgrantees. These responsibilities include allocating/reallocating funds, training and technical assistance to members, program accounting and cash management, and liaison between the local AFI projects and HHS.

SDC is a community action agency founded in 1964 with 350 employees and an annual budget of $32 million. SDC administers the AFI project, the ORR project, and the Jobs and Business Development program (a state-funded program to help low-income entrepreneurs start businesses), all overseen by WISCAP. SDC also operates more than 20 other social service programs for children, youth, families, and seniors. SDC's financial partners for the AFI project are Wells Fargo Bank, Legacy Bank, and Guaranty Bank.

SDC's AFI participants come through the outreach associated with MABC, as well as through outreach to refugee communities and other community-based organizations. All applicants must attend a number of sessions related to the AFI project and its requirements. This "indirect screening" helps ensure that participants are truly interested in enrolling in the project. Interested individuals must meet one-on-one with the IDA Supervisor several times before enrolling. Once eligibility is determined, the IDA Supervisor assists the participant in developing a savings plan, including a savings goal and budget.

SDC requires that participants complete 12 hours of financial education (in a series of three four-hour sessions) and a four-hour asset-specific training. Sessions are offered on weekday afternoons and evenings. Case management is an important component of the project as well. The IDA Supervisor develops close relationships with the participants during recruitment, orientation, application, and the financial education and training components. She individually assists participants in determining their asset and savings goals and in addressing challenges that may affect participation. She maintains monthly face-to-face contact with most participants throughout their project involvement.

Under the 1999 grant to WISCAP, SDC received funding for 28 accounts; it easily filled this first allocation of slots and began looking for ways to scale up the project. As a result, SDC received $455,900 for 388 slots from a supplemental grant made to WISCAP in 2001. In 2002, SDC received funding for an additional 47 slots when WISCAP reallocated funding among subgrantees, bringing its total allocation to 463. Yet, as of 2003, SDC had enrolled only 94 participants because they had been unable to raise the nonfederal matching funds for the supplemental grant.

Key Findings

WISCAP's decentralized network project divides responsibilities and resources efficiently. The grantee is WISCAP, but subgrantees are responsible for most aspects of project operations, including fundraising for their own nonfederal match. The grantee only manages the reserve fund, provides training and standardized materials to subgrantees, facilitates quarterly IDA Roundtable discussions, and facilitates peer-to-peer technical assistance. WISCAP has also reallocated AFI funds among its subgrantees, diverting more funds to the relatively more successful projects such as SDC's.

In the Milwaukee community, synergy with other local asset-building initiatives permits SDC to leverage additional services for AFI participants. SDC's cooperation with the citywide asset-building initiative (the Milwaukee Asset Building Coalition) has helped it recruit easily for the AFI project, and allows it to offer complementary services such as EITC awareness and free tax preparation services.

Within SDC, the AFI project is offered as one of many asset-building services, rather than as a stand-alone project. This approach helps stretch administrative resources further than AFI administrative funds alone would permit. Internally, SDC has combined AFI operations with two other complementary programs. The same staff work on the AFI IDA project, a refugee IDA project, and the Job and Business Development program. This stretches administrative dollars, while also providing more flexibility for participants.

SDC's otherwise strong AFI project stalled because of its inability to raise the nonfederal match. Despite a waiting list of 30, SDC could not fill additional AFI slots because of a lack of nonfederal funding. Finding match funds has become more difficult as the economy has dipped and as IDA projects have proliferated (causing increased competition among similar asset-building programs). SDC responded by hiring a director of fundraising—another administrative expense.

Project Brief 3

YWCA of Greater Pittsburgh
Pittsburgh, Pennsylvania

The YWCA of Greater Pittsburgh, Pennsylvania obtained an AFI grant of $300,000 to support 140 IDA accounts intended for homeownership. To make the most of existing resources, this project built IDA functions onto the existing infrastructure of three partner organizations: the YWCA, the city's housing authority, and Dollar Bank.

This AFI project was administered by the Pittsburgh YWCA from 1999 to 2005. The program was targeted to residents of public housing and Housing Choice Voucher (Section 8 program) recipients, a program administered by the Housing Authority of the City of Pittsburgh. The study team visited this project in June 2001 and May 2002.

This AFI project offers insights regarding:

- *Recruiting and selecting participants*—A profiling system that categorizes individuals according to their mortgage-readiness proved effective in recruiting participants.

- *Supporting program participants*—Providing peer support to encourage participants who are financially ready to initiate a home purchase can alleviate participants' anxiety.

- *Forging organizational partnerships*—Structuring a project entirely around existing organizational capabilities and staff resources has both advantages and disadvantages. Separating responsibility for project tasks from accountability for their success proved problematic.

This project offers important lessons for those who might consider implementing an AFI project using existing organizational capacity, rather than expanding staffing and organizational capacity to meet the needs of the AFI project. On the plus side, this approach avoided redundancy in developing systems for case management, financial education, and recruitment that were already in place for other programs. A disadvantage, however, was that the partner organizations were already operating at full capacity and it was difficult to absorb the work associated with the new program obligations. IDA functions were added to the existing responsibilities of the staff at all three organizations, with no additional administrative funding. When the YWCA's partners proved unwilling or unable to conduct their activities, these additional tasks fell to the grantee by default.

There were also issues of accountability. Decentralization meant the grantee had little influence over functions that critically affected the success of the project, including participant recruitment and financial education. Despite the organizational strains that developed among the partners, this project was able to achieve results because its core element was the strong first-time homeownership program that the financial partner (Dollar Bank) had implemented previously.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

YWCA of Greater Pittsburgh (Pittsburgh, PA)

Urban/rural	Urban
Agency type	Human Service Organization
AFI grant amount	$300,000
Number of funded accounts	140
Match rate (combined federal and nonfederal)	4:1
Maximum amount eligible for match	$1,000
Maximum match amount	$4,000
Hours of general financial education required	Not available
Number of accounts ever opened (May 2002)	88
Percent of accounts opened, by intended use	100% homeownership
Number of financial institutions	1

Project History and Development

The impetus for this project came from the Housing Authority of the City of Pittsburgh. The Housing Authority staff learned about AFI funding availability and within a month convened two of its ongoing organizational partners to apply for an AFI grant. Dollar Bank, the financial partner, had long been active in promoting homeownership among the city's low-income population, and for several years had operated a homeownership education course for the Housing Authority. Upon completion of the *Mission: Homeownership* course, participants were eligible for a grant of $3,000 from Dollar Bank for downpayment or closing costs (if the participant obtained his or her mortgage at the bank). The YWCA had provided case management for the Housing Authority's Family Self Sufficiency (FSS) program for Section 8 participants. The YWCA was also a necessary partner because (at that time) only non-profit entities were eligible for AFI funding.

The Housing Authority's rationale for bringing these organizations to the table was that it knew and respected each of them, and they were already familiar with the Housing Authority's constituency. The three organizations felt that they had among themselves the expertise required to perform all key IDA functions without needing to start from scratch.

Accordingly, virtually all IDA functions were superimposed onto each organization's existing programs and services. The Housing Authority would recruit from among its public housing residents and FSS participants, using its existing newsletters and residents' meetings. IDA participants would be streamed into Dollar Bank's existing homeownership programs (a homeownership course and credit counseling). These were well-established programs already handling caseloads in the hundreds. The YWCA would provide case management through its existing FSS caseworkers (with non-FSS participants also having access to them). What resulted was a decentralized program in which key activities (recruitment, financial education, and case management) were dispersed across three organizations. Apart from the YWCA's administration of the grant, no "new" program components were developed specifically for the AFI project.

This arrangement did indeed leverage existing capabilities. It also, however, resulted in a situation where responsibility did not match up with accountability. Responsibility for critical project activities resided in organizations other than the YWCA, the one organization ultimately accountable for grant performance. The decentralized structure and the lack of enforceable accountability also made it difficult for the grantee to exert much control over how project tasks were conducted. It also failed to take into account the fact that all three organizations were short-staffed already.

The pitfalls of this approach became evident in a number of ways. First, recruitment was difficult because the responsibility fell to one person at the Housing Authority. Dollar Bank helped by promoting the AFI project as part of its routine homeownership promotions, but ultimately the YWCA was accountable for the success (or lack of success) of these efforts by others. Second, case management by the FSS workers never really happened. Participants had little contact with the YWCA and the FSS program was overburdened from the outset. The FSS caseworkers conducted IDA orientation sessions (a smaller role than originally intended) often long after the IDA account was opened, because of the poor information flow between the bank and the YWCA about new account openings.

Dollar Bank favored restricting AFI participation to the most "mortgage-ready." With an extensive track record helping the poor purchase homes, the bank felt that it was in the best position (versus either of its partners) to identify those most likely to succeed. It saw no value in spending resources to sustain AFI accountholders who were unlikely to become mortgage- ready within a year's time.

Differences in organizational philosophies soon emerged and created friction as well, despite initial consensus about IDA requirements and policies. As a social service agency, the YWCA viewed IDAs as a tool for self-empowerment and savings discipline. It did not believe in imposing requirements that might discourage savers; thus, it established a low minimum deposit ($10 per month) and tolerated low-activity accountholders. Dollar Bank, in contrast, viewed IDAs as one financial incentive among the many that it offered. It viewed a "successful" IDA account as one that resulted in an approved mortgage (with Dollar Bank) and a home purchase.

Because the IDA project was folded into Dollar Bank's homeownership program, the bank had a strong sense of project ownership. In addition, Dollar Bank had contributed a nonfederal match equal to the AFI grant amount. (Indeed, most participants viewed the AFI project as "the bank's program" and regarded it highly.) These factors caused tension between the partners. The bank was frustrated by having to provide services—maintaining accounts and providing financial education—to individuals who were unlikely to meet their savings goals. This frustration was sharpened by the bank's already experiencing a staff shortage.

In June 2001, as part of an internal review of all its homeownership programs, Dollar Bank unilaterally instituted a number of changes to its AFI participation. It stopped attending the monthly meetings among project partners, which effectively ended systematic communication between the partners. It announced it would no longer accept responsibility for monitoring accounts. (These tasks then fell by default to the YWCA as the grantee, which had to perform them without additional staff.) It also terminated low-activity accounts; raised the minimum monthly deposit from $10 to $40; and imposed a three-tier participant triage system that effectively restricted IDA participation to those who could become mortgage-ready within one year. (Lower levels of service, such as quarterly counseling sessions, were still available to the others, however.)

After a year of experience with the new triage system, Dollar Bank was very satisfied with it. Although the YWCA and the housing authority were not happy with what they perceived as the non-collaborative nature of the process, they both acknowledged that the triage system appeared to be moving people through the IDA process efficiently, while not abandoning those with more severe financial problems.

At the time of our second site visit in May 2002, each of the partner organizations was convinced of the value of IDAs to this population, but they were not planning to continue the project after the AFI grant expired. The Housing Authority was not in a position to continue this project on its own. Dollar Bank felt it would be more efficient to simply fund and operate such a project internally. For its part, the YWCA expressed interest in pursuing other IDA opportunities that would give it a more central role. The YWCA felt strongly that the AFI grant provided valuable experience and hoped to apply the lessons learned to extending IDAs to a larger population.

Key Findings

The experiences of this AFI project offer some practical operational tips, as well as some lessons about the partnership challenges that can beset a decentralized project.

There are benefits to profiling participants according to their likelihood to become eligible for mortgage. The financial partners instituted a “triage” system that allocated the greatest amount of staff time to individuals considered likely to become mortgage-ready within one year. After an initial one-on-one session with a homeownership counselor, individuals were categorized according to their potential to be ready to apply for a mortgage in less than 6 months, within 6 months to one year, or in more than one year. The bank’s own data suggested that few people in the third group would ever qualify for a mortgage. Therefore, only individuals who were considered capable of qualifying for a mortgage within one year were eligible to open AFI accounts. Those who were further from mortgage-readiness also received services, but not as intensely (e.g. quarterly meetings with the counselor, and calls as needed). They were encouraged to work to “graduate” to the IDA-eligible group. This approach focused limited staff resources on individuals most likely to be able to attain their savings goals, without neglecting the others.

Providing peer support is a way to encourage participants who are financially ready to purchase a home. Dollar Bank had observed from its previous experience that many homeownership clients become hesitant to take the final step in purchasing a home, out of anxiety. To help overcome this, the bank emphasized peer support. At drop-in sessions offered every three weeks, homeownership clients could listen to successful graduates and interact with each other. Bank staff reported that this had a powerful effect in helping clients make progress.

Structuring a project entirely around existing organizational capabilities can have risks as well as rewards. The strong attraction of building IDA functions onto existing capacity can lead partners to overstrain those capacities. In this project, there was little attention to whether the potential partners could assume their specific roles and responsibilities. One partner noted that even the clearest delineation of responsibilities cannot compensate for an organization's lack of capacity to carry out its agreed-upon role. As important as staffing levels is the question of staff expertise. Arguably, for example, the FSS caseworkers were not well equipped to provide case management on issues of asset building.

There can be pitfalls to separating responsibility for project tasks from accountability for their success. Especially when responsibility for key project functions is dispersed across several organizations, there needs to be one strong central point of control. Some of this project's most significant challenges arose from the fact that activities critical to its success—for example, recruitment and financial education—were outside the grantee's control. There was little the YWCA could do when recruitment proved difficult. It also felt it had to accept the bank's unilateral shift toward serving those who were most mortgage-ready.

Project Brief 4

Williamsburg Enterprise Community Commission Kingstree, South Carolina

In rural Williamsburg County, South Carolina, the Williamsburg Enterprise Community Commission (WECC) administers an AFI project funded under a grant to the South Carolina Association of Community Development Corporations (SCACDC). This AFI project offers insights regarding:

- *Achieving administrative efficiencies*—A statewide network project can support IDAs on both the state and local levels through lobbying, fundraising, administrative support, curriculum development, and technical assistance.

- *Adapting to feedback and changing conditions*—Implementing new policies to accommodate impending grant expiration, such as encouraging higher levels of monthly deposits.

- *Recruiting and selecting participants*—Screening for IDA-readiness by requiring applicants to complete credit counseling and credit repair before enrolling in the project.

- *Supporting program participants*—Encouraging peer support and putting financial education lessons into practice by organizing "controlled spending" field trips to local flea markets.

The SCACDC / WECC initiative offers lessons at both the local and state level. SCACDC demonstrates the effectiveness of a statewide coalition in supporting IDAs. The technical assistance and resources SCACDC provides serve to promote organizational capacity among AFI-funded CDCs and their community partners. Information for this project brief was collected during a site visit conducted in June 2002.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Williamsburg Enterprise Community Commission (Kingstree, SC)

Urban/rural	Urban
Agency type	Community development corporation
AFI grant amount[14]	$19,500
Number of funded accounts	13
Match rate (combined federal and nonfederal)	3:1
Maximum amount eligible for match	$1,000
Maximum match amount	$3,000
Hours of general financial education required	30 hours
Number of accounts opened (June 2002)	13
Percent of accounts opened, by intended use	Not available
Number of financial institutions	1

Project History and Development

The South Carolina Association of Community Development Corporations (SCACDC) had been following developments in the IDA field since the early days of the American Dream Demonstration, the first large-scale IDA demonstration. SCACDC believes asset development helps low-income families enter the economic mainstream. To further lobbying efforts around IDAs, SCACDC organized the South Carolina IDA Collaborative, an informal network of diverse organizations committed to asset building in South Carolina communities.

Following passage of AFI in 1998, SCACDC contacted the South Carolina Department of Social Services (SCDSS) to discuss partnering on a statewide IDA initiative. SCDSS agreed to provide the nonfederal matching funds, as well as some funds for administrative activities through their TANF funding. SCDSS also agreed to help local sites recruit participants from active TANF caseloads and former recipients who are employed.

SCACDC plays an active role in supporting statewide AFI implementation. The organization's roles include raising match funds, coordinating all the organizations involved in the statewide initiative, designing the financial education and training curricula, and developing a statewide Project Advisory Board.

SCACDC took the lead in developing the proposal for the statewide project. In June 2000, SCACDC received a $500,000 AFI grant and $500,000 in matching funds from the SCDSS to fund a statewide IDA initiative. SCACDC passed the funding to 15 of its member organizations. All of the SACDC-funded projects share a similar administrative structure and some common features, including a 3:1 match on the first $1,000 saved, with a total of $4,000 available for asset purchase.

14 Calculated as a prorated share of the grantee's total AFI grant amount, based on the site's share of total funded accounts.

Williamsburg Enterprise Community Commission (WECC) was one of the five original members of the statewide IDA collaborative and one of the 15 organizations to receive funding under SCACDC's grant. WECC is located in Williamsburg County in rural central South Carolina, a region characterized by few employment opportunities, high rates of poverty (28 percent), and low educational attainment (one-third of adults do not have a high school diploma). WECC's mission is to catalyze community economic development by supporting social, economic, and physical development strategies.

WECC received $19,500 in AFI funds to support 13 IDA accounts. WECC recruits participants, hosts orientation sessions, provides financial education and training, and provides individual homeownership counseling and assistance. Georgetown Kraft Credit Union (GKCU) is the WECC program's financial partner. Given the broad appeal of the 3:1 match, WECC quickly filled its 13 program slots soon after receiving the grant. The first AFI account was opened in May 2001. As of June 2002, the project had nine active participants with deposit balances ranging from $149 to $578.

Key Findings

SCACDC provides statewide leadership to build support for IDA programs. The organization organized a statewide IDA collaborative as a way to lobby the state government to become involved in IDAs. Once word got out about the successful implementation of the first AFI grant, other SCACDC members expressed interest in establishing IDA projects. With continued state support, SCACDC successfully applied for a $400,000 AFI grant to expand its efforts.

In this rural area characterized by small, low-capacity organizations, SCACDC's strongly centralized IDA network is essential to help organizations implement IDA projects. One of the challenges of operating a successful asset-building project in a rural area is that community organizations often lack the organizational and financial resources to research, develop, and support new programs. In South Carolina, SCACDC has done much of the groundwork to help local IDA programs find and deliver the services their participants need to succeed. Among its key roles, SCACDC raises nonfederal match funds and provides fiscal management. Staff research financial education curricula for its member agencies and offer "train the trainer" sessions where CDC staff learn how to teach to the curricula. SCACDC also holds quarterly IDA meetings with participating CDCs and maintains a web page with links to their financial education curricula and other technical assistance resources such as the Federal Home Loan Bank of Atlanta and the Corporation for Enterprise Development.

The availability of additional resources for administrative costs has been critical for this AFI project. Small organizations in rural areas such as Williamsburg County often need relatively more administrative support to implement an IDA project. SCDSS provided critical administrative funding that helped both SCACDC and WECC implement the AFI project effectively. For SCDSS, the AFI projects provide an effective way for the agency to support clients making the transition from welfare to work and to further the agency's interest in getting more involved in local community development.

WECC screens applicants for IDA-readiness by requiring that they obtain credit counseling and repair their credit before being allowed to enroll in the project. This process ensures that participants will be ready to purchase their asset after they have completed their savings.

To make sure participants are well prepared for their asset purchase, all of the IDA projects funded under SCACDC's grant have demanding financial education and asset-specific training components. AFI participants must attend 30 hours of financial education and 30 hours of asset-specific training. In addition to this rigorous educational component, WECC encourages peer support and puts financial education lessons into practice by organizing "controlled spending" field trips to local flea markets.

WECC is preparing for grant expiration to ensure participants have time to meet their savings goals. WECC is using two strategies to achieve this goal: (1) encouraging high levels of monthly savings (the initial minimum deposit of $25 was raised to $50); and (2) closing enrollment after a certain date, so that enrollees have time to meet their savings goals before grant expiration.

Project Brief 5

Tulane University
New Orleans, Louisiana

Tulane University operated two AFI projects from 2000 to 2006, supporting a total of 466 accounts in the New Orleans area. The grantee's success with its first (FY 2000) AFI grant led to a much larger AFI grant the following year, representing a six-fold increase in the number of accounts (from 66 to 466). At about the same time, the grantee was selected to develop and facilitate a state-funded IDA network supporting 500 accounts statewide. These two developments required a major expansion of organizational capacity and led to a number of significant challenges for the grantee. In the end, the devastation wrought by Hurricane Katrina in August 2005 led to the project's termination in January 2006.

This AFI project offers insights regarding:

- *Providing financial education*—Outsourcing financial education is a creative way to provide financial education.

- *Forging organizational partnerships*—Educating and generating interest in an AFI project through "training days" for potential partners.

- *Forging organizational partnerships*—A strong relationship with engaged project partners can bridge potentially opposing interests, but incompatible interests can undermine once-strong partnerships.

- *Supporting program participants*—The consequences of inadequate resources for case management.

- *Adapting to feedback and changing conditions*—How a major and rapid expansion can overstretch a grantee's capacity.

This project offers lessons about the benefits of strong partnerships, as well as practical operational tips about recruitment and the delivery of financial education. However, its experience also sounds an important cautionary note about the perils of expanding beyond one's administrative capacity, as well as of the importance of ensuring that all partners' strategic interests are met. The study team made three site visits to this project (May 2002, March 2003, and May 2004).

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Tulane University, New Orleans (LA)

Urban/rural	Urban
Agency type	Educational institution
AFI grant amount (2000 and 2001)	$955,000 ($155,000 + $800,000)
Number of funded accounts	466 (66 + 400)
Match rate (combined federal and nonfederal)	4:1 for homeownership 2:1 for other uses
Maximum amount eligible for match	$1,000
Maximum match amount (combined federal and nonfederal)	$4,000 for homeownership $2,000 for other uses
Hours of general financial education required	12 hours
Number of accounts opened (May 2004)	163 (108+55)
Percent graduated from project	39% (64 of 163)
Percent of accounts opened, by intended use	Homeownership (98%) Microenterprise (1%) Education (1%)
Number of financial institutions	3

Project History and Development

Tulane University's experience with IDAs began with a small, 10-account pilot project in 1998. The success of that project encouraged the University to apply for and obtain AFI funding in 2000, along with funding from the Federal Home Loan Bank (FHLB) obtained through its financial partners.

One of the hallmarks of this project's early success is the close partnership between the grantee, Tulane University, and three financial partners, Hibernia Bank, Whitney Bank, and United Bank and Trust. The participating banks obtained FHLB funding and transferred it to the university to administer, supplementing the first AFI grant. The bank representatives were actively engaged in the design of the project, recruiting partner agencies and participants as it was being launched and then helping resolve issues that arose during the implementation and operation of the project. As issues arose around competing interests—for example, whether a participant should be required to obtain a mortgage at the bank that held the participant's IDA—the University and the banks worked closely to resolve these matters. During our initial visit to this project, it was a model for strong partnerships.

The three participating banks initially invested a significant amount of staff time and energy into the project, drawn by the prospect of helping the community, obtaining Community Reinvestment Act (CRA) credit, and providing mortgage loans to the 98 percent of IDA participants who were saving for home purchase.

By the time of our second visit in March 2003, however, the project was encountering problems stemming largely from rapid expansion on two fronts. Because of the success of the first AFI grant ($155,000 for 66 accounts), the University had been awarded a much larger second AFI grant in 2001($800,000 for 400 accounts), representing a six-fold increase in scale. In 2002 Tulane University also received a two-year TANF-funded grant from the State of Louisiana to develop and administer a statewide 500-account IDA program network. As a facilitator and capacity-builder for the statewide network, the university was responsible for developing an IDA infrastructure involving 55 agencies and their financial partners—in a state that previously had fewer than ten small-scale projects. The State's funding provisions called for the 500 participants to complete their savings and asset purchases within 24 months (June 2002–June 2004). The University thus had to stretch its administrative resources even further.

By the time of our third site visit in May 2004, the strains on the AFI project were evident. The University was devoting most of its limited staff resources to the "fast-track" statewide program. It was also encountering problems securing the nonfederal match for the second AFI grant. A critical part of the funding plan for the second ($800,000) AFI grant was for six partner banks to each apply for Federal Home Loan Bank (FHLB) funding ($300,000 in all from six separate three-year grants) and transfer these funds to the university to administer, thereby meeting the AFI requirement for nonfederal match funds.

Late in the negotiations with the banks to secure the FHLB funds, the university also requested that each bank provide direct funding for the project's administrative expenses ($50,000 in all, or nearly $9,000 per bank). The banks, having supported the initial AFI project by holding the accounts and providing in-kind staff support, resisted making direct financial commitments to the project. The banks felt they had already shouldered a substantial burden over the years, with uncertain returns on this investment (in terms of new mortgage business). The banks not only declined to commit administrative dollars, but also pulled back their FHLB grants, choosing to use them for their own homeownership assistance programs. This left the University without a major planned source of both operating support and nonfederal match dollars.

The inability to obtain administrative and match funding proved an insurmountable obstacle to expanding the AFI project to the scale envisioned by the second AFI grant. Hampered by the competing organizational demands of the statewide program and the lack of nonfederal match and administrative funds), the AFI project reached a lull in late 2003. No AFI accounts were opened after the spring of 2004.

Hurricane Katrina then struck the New Orleans area in August 2005, destroying the homes, businesses, and livelihoods of virtually all local residents, including the AFI participants. With no reasonable prospects for resuming operations, the AFI project was terminated.

Key Findings

The pre-Katrina experience of this project offers a number of important lessons about what can work well, as well as about some of the pitfalls that even a strong project can encounter:

A creative way to provide financial education is to outsource it. Realizing it lacked the staff and expertise to develop a curriculum in-house, the grantee used a competitive Request for Proposal (RFP) process to select two local affiliates of national organizations, Neighborhood Housing Services and Consumer Credit Counseling Service, to develop and deliver the financial literacy curriculum. The university negotiated a compensation rate of $100 per participant completing the 12-hour course. Perhaps because this created an incentive to minimize dropout, both service providers were among the project's best referral sources and attrition was very low.

At the launch of an AFI project, training days are a good way to educate and generate interest in the project among potential partners. Early in the project, university and partner banks conducted training days for potential partner organizations: informational sessions to educate organizations about the potential of IDAs for their constituents, and to enlist their cooperation as referral sources. These sessions brought a lot of organizations to the table and were one reason why the project did not have problems with participant recruitment.

A strong relationship with bank partners can help overcome their competing interests. The banks holding IDA accounts were eager to obtain the mortgage business from homeownership participants. But the university felt strongly that participants should be able to choose among several banks to find the best mortgage deal. The compromise was the "right of first review": the bank that maintained the IDA account was the first to review the mortgage application and offer a mortgage loan. If the participant found a better deal elsewhere, the account-holding bank would have the opportunity to match or better it. This provided partner banks an edge in competing for the loan business of IDA accountholders, while allowing consumer choice. This compromise worked well for a time, although in the end, the banks did decide they were better off administering their own homeownership programs.

A decentralized approach to case management is difficult to implement. From the beginning, decentralized case management was one of the most significant challenges for this project. It was a choice made out of necessity, as the lack of administrative resources obliged the university to rely on partner agencies for recruitment and case management. This was an unfunded mandate for most partner agencies, which lacked expertise in asset-building programs, and thus could not perform case management well. Much of the case management task fell to the grantee's overburdened staff. Over time, project staff determined that that *centralized* case management was essential—better to fund one dedicated IDA case manager at the grantee organization than to expect dozens of partner agencies to identify and train an IDA case manager on their own. Another advantage of a centralized arrangement is that it provided a "home base" for word-of-mouth referrals, once the project became popular.

A major and rapid expansion can over-stretch capacity. When the university won a substantial grant from the state to administer a statewide IDA program, as well as a second AFI grant, it now had *two* large, administratively underfunded programs to operate. Staff resources, already stretched administering the initial 66-account AFI project, were strained further. As facilitator of the statewide program, the university was required to launch a major program *and* support the network partners in moving 500 participants successfully through savings and asset purchases in a very short period (24 months). At the same time, as a service provider itself under AFI, the university struggled to obtain nonfederal match dollars to operationalize its second AFI grant. As applicants were diverted to the larger, more urgent statewide project, the AFI project languished.

Once-strong relationships can deteriorate in the face of conflicting financial interests. The intense engagement of three banks was initially a great strength of the project. However, as the project progressed, the banks increasingly felt the need for tangible financial benefits to justify their continued participation. On the other hand, the grantee felt strongly that participants need as many options as possible. Cordial relationships between the principals carried the project over many obstacles, but in the end the banks did not feel that their heavy investment of time and energy was worth it. They pulled back their commitment to the AFI project in favor of operating their own independent homeownership assistance efforts.

Project Brief 6

Community Action Partnership of Sonoma County
Santa Rosa, California

The Community Action Partnership (CAP) of Sonoma County is a small AFI project focused primarily on homeownership. This AFI project, supporting 40 participants, offers insights regarding:

- *Forging organizational partnerships*—Integrating an AFI project with a complementary asset-building project can enhance the success of the program participant's asset acquisition.

- *Raising nonfederal funds*—Raising adequate administrative funds and nonfederal match funds is essential for project growth and success.

This AFI grantee achieved early success in promoting homeownership through an effective partnership with a housing development company. Efforts to expand the AFI project to farm-related microenterprise and postsecondary education were less successful, hindered by inadequate administrative funding to support recruitment, asset-specific education, and case management. Visits to this study site were conducted in May 2002 and April 2003.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Community Action Partnership of Sonoma County (Santa Rosa, CA)

Urban/rural	Urban/rural
Agency type	Community Action Agency
AFI grant amounts	FY2000: $50,000 FY2001: $50,000 FY2003: $50,000
Number of funded accounts	40 (total for FY2000 and FY2001 grants)
Match rate	4:1 for homeownership 2:1 for other uses
Maximum amount eligible for match	$1,000 for homeownership $2,000 for other uses
Maximum match amount (combined federal and nonfederal)	$4,000
Hours of general financial education required	15 hours
Number of accounts opened (April 2003)	22
Percent of accounts opened, by intended use	89% homeownership 11% education
Number of financial institutions	1

Project History and Development

CAP's AFI project began with a group of community volunteers committed to increasing opportunities for low-income persons in Sonoma County. The group met monthly beginning in 1997 and learned of IDAs in 1998. Named the North Bay IDA Collaborative (NBIC), the group identified CAP (at that time, named Sonoma County People for Economic Opportunity) as a partner to help implement the IDA concept in Santa Rosa. With a staff of 200, CAP operates a variety of other programs in health care, housing education, and children and youth services. Given CAP's mission to help low-income families achieve economic and social stability, NBIC thought that CAP should operate the AFI project. The NBIC has functioned as an advisory group since the project's inception, and is advising CAP on approaches for the AFI project. The NBIC also helps to identify nonfederal funding sources for the AFI project.

CAP was awarded a FY2000 AFI grant of $50,000 that funded 20 accounts. In September 2001 CAP also received a supplemental FY2001 AFI grant of $50,000, to fund another 20 accounts. At the time of our initial visit in May 2002, 10 AFI accounts were opened. By April 2003, 8 of the initial AFI account holders had graduated as successful homebuyers, and another 12 accountholders had been enrolled (9 of whom were saving for homeownership).

In the first year of its AFI project, CAP linked with two key partners: Exchange Bank and Burbank Housing. In December 2002, CAP replaced Exchange Bank with the National Bank of the Redwoods (NBR) as its financial partner. NBR serves as the repository of the accounts and contributes staff as guest instructors for the financial education component. NBR also developed other partnerships for the purpose of providing referrals, match funds, and case management.

> ***Sample "Sweat Equity" Transaction***
>
> **Sales price: $240,000**
> **Buyer's annual income: $33,108**
>
> **IDA Project: $5,000**
> **Sweat Equity: $25,000**
>
> **CHFA Loan: $118,615**
> **CalHome Loan: $20,000**
> **Santa Rosa**
> **Redevelopment Agency: $71,385**
>
> **Total: $240,000**
>
> **Monthly housing costs (principal, interest, taxes, and insurance): $896**
> **Housing cost ratio: 32%**

The second key partner, Burbank Housing, is a local non-profit organization that has developed affordable housing since 1985. CAP partnered with Burbank's self-help or sweat equity program to enroll AFI participants with the goal of homeownership.[15] Burbank's sweat equity program requires that individuals work a minimum of 30 hours per week on home-building during the construction period, typically 12 to 15 months, to reduce the amount of cash needed for a down payment. Burbank then assembles a financing package (see "Sample Sweat Equity Transaction") that often includes additional state and local subsidy funds to make the housing affordable for buyers in the program.[16] Burbank's financing package includes two soft second mortgages that are forgiven over 10 years. The monthly mortgage payment is applied to the first mortgage only.

None of CAP's initial AFI participants who became homeowners through Burbank's program missed a mortgage payment during the first year of homeownership. The buyers assisted in constructing not only their own homes but also those of their neighbors (other sweat equity participants, although not necessarily AFI participants). Burbank's sweat equity program is a key component of the success of CAP's initial accountholders.

In its first year, CAP's AFI project did not include microenterprise as an allowable asset goal. CAP staff regarded new business startup as too risky an activity for project participants, citing evidence that three of every four new businesses fail. However, when CAP encountered difficulties recruiting participants to save for postsecondary education, it included microenterprise as an allowable asset goal and established a partnership with FarmLink, which has referred eight individuals to enroll in the AFI project. FarmLink will conduct microenterprise training and provide match funds for those seeking to start farm-related businesses.

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15 The relationship between Burbank and CAP preceded the AFI project. CAP partnered with Burbank Housing in 1995 on a program that employs youth in the construction and housing development field in Sonoma County.

16 The median value of owner-occupied homes in Santa Rosa was $245,000 in 2000, as reported by the U.S. Census Bureau.

By the time of our April 2003 visit, the NBIC had been able to secure the nonfederal match funds for the FY 2001AFI supplemental grant, but it was unsuccessful in raising administrative funds.

Key Findings

The experience of this AFI grantee offers several useful lessons for other AFI practitioners.

The strong partnership with a housing development company—Burbank Housing—is a key ingredient to the success of this homeownership project. The single most notable characteristic of this project is its partnership with Burbank Housing. Eight of CAP's initial AFI accountholders moved into their newly constructed homes in the fall of 2002 and were residing in these homes during our visit in April 2003. This partnership is mutually advantageous: Burbank Housing provides nonfederal match funds and refers highly motivated individuals to CAP as prospective AFI accountholders, and the IDA match to buyers helps to sustain Burbank's program. As noted above, the early success of this partnership led to enrollment of a second cohort of nine accountholders referred by Burbank.

To become viable and reach its planned scale, an AFI project must secure both its nonfederal match funds (which CAP was able to do) and administrative funds beyond those allocated through the AFI grant (which CAP was unable to do). The most difficult challenge faced by CAP was the lack of administrative funds to support its planned activities. The available administrative funds for operation of the AFI project (under the FY 2000 and FY 2001 AFI grants) were fully expended as of March 31, 2003. This made it difficult to use the FY 2001 grant, and to recruit participants to the microenterprise or postsecondary education components of the AFI project. CAP was unable to shift internal resources to the AFI project, which was vying for attention amidst other programmatic priorities such as transitional housing and homeless shelters.

Project Brief 7

Neighborhood Housing Services
Manchester, New Hampshire

Manchester Neighborhood Housing Services (MNHS) in Manchester, New Hampshire is one of 24 community partners operating a statewide AFI project. This AFI project offers insights regarding:

- *Raising nonfederal funds*—Using tax credits for the nonfederal match.
- *Forging organizational partnerships*—A centralized network coordinated by a strong grantee can offer subgrantees both support and flexibility.
- *Achieving administrative efficiencies*—Investments in a customized management information system (MIS) can improve administrative operations.
- *Recruiting and selecting participants*—A strong reputation and careful screening can result in high graduation rates and low attrition.
- *Providing financial education*—Stringent financial education requirements can help participants prepare for asset purchase.
- *Adapting to feedback and changing conditions*—Networking with other programs and conducting a small pilot project can help test assumptions about project design.

The New Hampshire IDA Collaborative and MNHS successfully implemented their AFI projects. The Collaborative members together succeeded in filling all but two of their funded slots. MNHS continues to grow, serving 155 participants, of which 41 had graduated and purchased a home by April 2004. Given this initial success and continued interest in the project, the Collaborative agreed that NHCLF should apply for additional AFI funding. In September 2003, NHCLF was awarded a second grant for $590,000. The site visits to this project took place in April 2003 and in April 2004.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Neighborhood Housing Services (Manchester, NH)

Urban/rural	Urban
Agency type	Homeownership
AFI grant amount[17]	$208,790
Number of funded accounts	155 (from a total of 438 available slots)
Match rate	3:1
Maximum amount eligible for match	$2,000
Maximum match amount (combined federal and nonfederal)	$6,000
Hours of financial education required	12 hours per year
Number of accounts opened (April 2004)	155
Percent graduated from project	26% (41of 155)
Percent of accounts opened, by intended use	96% homeownership 4% education
Number of financial institutions	2

Project History and Development

MNHS is a partner in the New Hampshire IDA Collaborative that received its AFI funding through a $590,000 grant awarded in 2001 to the New Hampshire Community Loan Fund (NHCLF) in Concord. NHCLF partners with public and private organizations across New Hampshire to support the efforts of community-based non-profit organizations, especially in promoting affordable housing and economic opportunity.

NHCLF did much of the homework that led to the AFI grant application, including networking with organizations that already had IDA projects, attending conferences, and reaching out to potential local partners in New Hampshire. One of the early partners, Concord Area Trust for Community Housing, ran a small pilot project (seven accounts) to test the proposed project design. When the pilot proved successful, the Collaborative applied for AFI funding.

As the lead agency, NHCLF provided the "back room" functions for the grant, including coordinating partners, grant-writing and fundraising, financial and administrative monitoring, and technical assistance. Community partners such as MNHS were responsible for recruitment and enrollment, providing financial education, and counseling.

17 Calculated as a prorated share of the grantee's total AFI grant amount, based on the site's share of total funded accounts.

The AFI projects funded by the Collaborative shared common features: 12 hours of financial education required annually and a 3:1 match, with participants saving up to $2,000 and receiving a maximum $6,000 match for purchase of an allowable asset. Partners could create additional requirements beyond these basic rules. NHCLF raised money for administrative funding and the nonfederal match.

Among NHCLF's 24 partner agencies, MNHS had the largest number of accounts and contributed the largest number of graduates. MNHS is one of the Collaborative's main providers of homeownership training for AFI participants, serving its own AFI participants as well as those referred by other community partners. Citizens Bank and Laconia Savings Bank were the project's financial partners.

MNHS, an affiliate of NeighborWorks America (formerly the Neighborhood Reinvestment Corporation), works to revitalize Manchester's inner city through real estate development, homebuyer counseling and financing, community initiatives, and economic development. MNHS sees IDAs as a way to extend the buying power of its lowest income residents.

MNHS's AFI project is similar in its design to others operated through the Collaborative, with one notable exception: MNHS participants must complete the 12-hour financial education requirement *before* opening an IDA account. In April 2004, after 30 months of operation, MNHS had enrolled 155 account holders. The project had 41 successful graduates, with all but one using their IDA to purchase a home. Eleven graduates who purchased a home were referred by one of the partner organizations, a local housing authority.

Key Findings

Research and evaluation is an effective way to inform the design stage, as well as being useful throughout the project to make sure it is meeting the expectations and needs of the participants and other stakeholders. The Collaborative conducted a great deal of research—including a pilot test prior to applying for AFI funding—that helped them design a more effective project. In 2004, the Collaborative hired an independent consultant to implement a survey of partners, funders, and participants. Collaborative members planned to use the information gathered from this survey to make adjustments to the project.

NHCLF has been creative in raising funds for the Collaborative. NHCLF has a diverse group of funding contributors including state and federal governments, financial institutions, and other private organizations. NHCLF raised $2.0 million for the IDA Collaborative for the first AFI grant (FY 2001) and over $1.0 million for a second grant awarded in 2003. For both grants, NHCLF has successfully raised funding through tax credits financed by the New Hampshire Community Development Finance Authority (NHCDFA). The Collaborative has also used its partnership with its financial partner, Citizen's Bank, to make more resources available for IDA participants. Citizens' Bank got funding through the FHLB's Equity Builders program, allowing IDA participants to obtain down payment assistance of up to $14,000.

The New Hampshire Collaborative's centralized network project offers partners support as well as latitude. All of the Collaborative's partners must follow the same basic requirements, but can also add others. As the grantee, NHCLF provides extensive support by offering coordination among partners, technical assistance, fundraising, standardized forms, account monitoring, and quarterly meetings. This expansive role requires considerable staff effort, made possible by having raised $400,000 for administrative expenses. The grantee is also able to offer partners $10 per participant to offset the costs of providing financial education.

Selecting AFI participants from existing clients who have demonstrated their commitment helps MNHS reduce attrition. All the Collaborative partners recruit participants from among their existing clients. This is cost effective, as the organizations have already established a trusting relationship with these recruits. Applicants for the AFI project must complete at least half of their first *annual* financial education requirement before opening an IDA account. Staff believe this ensures the participants have a full understanding of their financial circumstances and the requirements of owning a home, making them better prepared and more motivated. This strategy has worked well for MNHS—by April 2004, all of its slots were filled, with 45 applicants on a waiting list. MNHS also has the highest graduation rate of all Collaborative members and the lowest attrition (15 percent attrition, compared to 24 percent for the Collaborative overall).

Philosophically and operationally, MNHS makes the financial education and training component as important as the IDA match. The Collaborative staff believe that the educational and training component of this project is actually more important than the IDA match, providing participants with the knowledge necessary to change their spending and savings behavior. As a result, the Collaborative has established a strong financial education requirement and verifies that the participant has fulfilled this requirement before approving any qualified withdrawal. In addition, the Collaborative's 12-hour financial requirement is an annual one.

Collaborative members learned that centralized processing of withdrawals (by the network grantee) can lead to problems. Difficulties can arise in the home-buying process when withdrawals are processed centrally at the network grantee. Homebuyers typically need to make about four withdrawals, all of them time-sensitive. It is time-consuming and cumbersome because all checks are dispensed by the grantee located far away and require lead time—this leaves little margin for errors in processing.

Investing in a custom MIS system paid off in terms of savings in staff time. NHCLF had problems finding an appropriate information management tool for the AFI project, so the organization decided to develop a more efficient way to maintain the data. During this same period, NHCLF had contracted with a software design company to develop an accounting and managerial tool for the organization. NHCLF asked the design firm to include an AFI database module in the design work. The customized system the firm created (for $9,000) has resulted in a substantial savings in staff time, in NHCLF's view. In fact, the software has been so valuable that NHCLF has invested another $15,000 in the completion of an updated version of the software that will incorporate a second AFI grant, as well as track participant demographics.

Project Brief 8

International District Housing Alliance
Seattle, Washington

International District Housing Alliance (IDHA) is one of 13 partner agencies operating a small IDA project under an AFI grant to the United Way of King County (UWKC) in Seattle. This AFI project supported 19 participants and offers insights regarding:

- *Forging organizational partnerships*—Investing in relationships with financial institutions can provide AFI participants with additional services and resources.
- *Achieving administrative efficiencies*—A high-capacity, well-connected grantee can relieve the administrative burden on subgrantees in a network project using a centralized structure.[18]
- *Supporting program participants*—"Layering" other forms of homebuying assistance, to supplement the IDA match can help participants purchase homes in high-cost housing areas.
- *Adapting to feedback and changing conditions*—Ongoing evaluation activities and regular meetings of network members help inform ways to refine/improve project operations, help document program successes, and facilitate communications.

UWKC and its partners provide a strong example of an AFI network project under the leadership of a highly capable lead agency. UWKC's fundraising and administrative support have allowed its partner agencies to focus on program operations and participant support. This enabled IDHA to focus its efforts on tailoring program services to clients' needs by offering interpreters for those with limited English proficiency and customizing the financial education curriculum to emphasize topics that were unfamiliar to IDHA's clients. The regular meetings of the network members allowed the diverse partners to share information and resources. Information for this project brief was collected during site visits in April 2003 and June 2004.

The following exhibit shows the basic features of this AFI project.

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[18] A network project consists of a grantee with multiple subgrantees or partners that administer IDA program services to participants.

AFI Project-at-a-Glance:

International District Housing Alliance (Seattle, WA)

Urban/rural	Urban
Agency type	Human services organization (non-profit)
AFI grant amount[19]	$45,683
Number of funded accounts	19
Match rate	3:1
Maximum amount eligible for match	$2,000
Maximum match amount	$6,000
Hours of general financial education required	12 hours
Number of accounts opened (through June 2004)	19
Percent of accounts opened, by intended use	70% homeownership 15% microenterprise 15% education
Number of financial institutions	2

Project History and Development

Staff at UWKC first learned about IDAs while researching poverty prevention and economic development programs for the agency's homelessness initiative. After reading about IDAs on the internet, a UWKC staff member (who later became the AFI Project Director) attended an IDA conference in 2000. UWKC staff and senior management felt that the IDA concept was appealing and would also be attractive to major donors.

The agency applied for $720,000 in AFI funding in the summer of 2001. Supplemental grants of $261,000 and $197,000 were received in 2002 and 2003. The match rate was 3:1 across all partners and uses, and the maximum amount eligible for match was $2,000. The savings period was four years. As expected, the program proved attractive to UWKC's major donors, who contributed more than sufficient funds for the nonfederal match and to help cover administrative costs.

In assembling the grant proposal, UWKC issued a "request for proposals" to solicit responses from potential nonprofit partners. Each of the 13 agencies that responded was a stable and independently funded organization serving a diverse clientele; all 13 were selected to join the AFI effort. In addition, UWKC enlisted three financial partners (US Bank, Washington Mutual, and Seattle Savings Bank) and contracted with the University of Washington for evaluation services to assess the effects of the project on participant savings and financial knowledge.

19 Calculated as the prorated share of UWKC's $981,000 in combined funding from the 2001 and 2002 AFI grants, based on IDHA's share of total funded accounts (19/408). The number of funded accounts includes 319 for the 2001 grant and 89 for the 2002 grant. No activity has occurred under the 2003 grant.

International District Housing Alliance (IDHA) was one of the 13 selected nonprofit partners. Annually serving 2,500 low-income Asian and Pacific-Islander residents (many of whom were immigrants or refugees and non-native English speakers), IDHA received $45,683 in AFI funding for 19 accountholders.

UWKC played a central administrative role in the program, including securing funds, selecting and overseeing partner agencies, developing program policies and recruitment materials, overseeing financial partners, monitoring account activity, and coordinating reporting. UWKC developed an operations manual with all the relevant forms used by UWKC and its partners. The agency also provided partners with some funding to cover administrative costs; each partner received $400 per account opened.

IDHA's executive director managed the AFI project. The Homeownership Program Manager and Financial Education Coordinator supervised the classes and case management. IDHA staff screened applicants for interest and eligibility, and then sent completed intake forms to UWKC for verification before enrolling new participants.

Once enrolled, participants attended eight 90-minute financial education classes held weekly. The classes emphasized credit and insurance, as these concepts were less familiar to their Asian clients. Also, many of IDHA's clients lacked credit histories, so counselors worked with them to establish credit in their own names. IDHA staff encouraged peer support and offered interpreters for participants as needed. Homeownership training was offered in a 5-hour workshop. Participants who were preparing for microenterprise were referred to other partners for asset-specific training. Only two of the AFI project participants pursued post-secondary education. Preparation included a career exploration workshop, or (in the case of a participant who already knew her career path) writing an essay on her career plans and educational goals.

Key Findings

UWKC demonstrates how a high-capacity, well-connected grantee can make things easier for subgrantees. UWKC is the nation's second largest United Way chapter in fundraising. Its major donors (including local and national foundations) generously supported the AFI initiative with nonfederal matching funds as well as administrative funds. Their support allowed subgrantees to focus on program operations.

UWKC also shows how a centralized network project works. Roles were clearly defined, and subgrantees avoided duplication of effort. Centralized administration and reporting by the grantee allowed each member to focus on case management and training. For example, UWKC developed standardized recruitment materials, enrollment paperwork, and an operations manual. The agency also helped subgrantees keep clear the varying numbers of slots and requirements of the different IDA projects (AFI and non-AFI) that they all operated. The centralized administration was made possible by the grantee's significant internal subsidies—the AFI grant covered only 30 percent of administrative costs while UWKC funds (supported by donors) covered the rest.

Monthly meetings of network members help information flow and keep everyone on track. UWKC and its partners met monthly to get updates on the results of the ongoing evaluation, answer questions, and review issues of concern that might require revision of guidelines and rules. Partners also shared information or sought advice if they needed specialized assistance for particular clients.

For example, IDHA served clients referred to them by other agencies, if those clients had specific language needs that IDHA could meet.

An outside evaluator helps guide program development. UWKC's partners asked all AFI participants to complete surveys and allowed the program's evaluator (the University of Washington) to access financial information for research purposes. The evaluator's research identified ways to refine and improve project operations and helped in fundraising by documenting program successes.

Using multiple sources of homebuying assistance helps make homeownership affordable in high-cost areas like Seattle. The savings and match accrued from IDA accounts alone is not enough to buy a home in Seattle's expensive market. Even as initial paperwork was being completed, staff worked with participants to identify additional funding sources that would help them buy a home. For example, part of participants' initial paperwork at enrollment was a commitment to apply for the Earned Income Tax Credit if they were eligible. For participants who deposited their EITC refunds into their IDA account, UWKC matched the deposit at a rate of 3:1. In addition, staff helped participants identify resources through Habitat for Humanity and the Federal Home Loan Bank's (FHLB's) HomeStart program.

Strong relationships with banks work to the benefit of AFI participants. The lender partners associated with the Seattle program made extra efforts to assist AFI accountholders. Banks provided extra training to staff in branches with high IDA traffic. One lender arranged for AFI participants to open certificates of deposits (CDs) for their IDA savings, giving them a higher interest rate than a savings account. Another bank agreed not to market credit cards to IDA participants, so as not to interfere with credit repair efforts.

Project Brief 9

Jefferson Economic Development Institute
Mt. Shasta, California

The Jefferson Economic Development Institute (JEDI) of Mt. Shasta, California implemented its Building Assets Program in 2002, an AFI project focused primarily on microenterprise. The project serves approximately 117 participants in Siskiyou County, a sparsely populated and heavily forested county in far northern California.

This project offers insights regarding:

- *Supporting program participants*—Serving participants who are geographically dispersed by rotating the locations for financial education.
- *Recruiting and selecting participants*—Pre-screening for participant motivation by requiring applicants to complete the financial education course before enrollment in the AFI project.
- *Providing financial education*—Offering financial education cost-effectively—with no expenditure of AFI funds, with cooperation of a local community college. The IDA Program Director is an adjunct faculty member and receives state-funded compensation for teaching the course.
- *Supporting program participants*—Building peer support by enrolling participants in distinct cohorts and by requiring them to attend two "savers' meetings" each year.
- *Adapting to feedback and changing conditions*—A short (24-month) savings period allows the grantee the flexibility to recommit unused match money from participants not completing the program to new savers within the five-year grant period.

This AFI project is distinctive as a rural, microenterprise-focused IDA initiative. Although the project's planned scale was never reached because of a lack of nonfederal match funds, the design demonstrates how an AFI project can reach geographically dispersed participants cost-effectively. The project combines staff support and peer support with strict expectations for regular monthly savings and quarterly meetings to keep participants on track toward successful use of their accounts. An initial visit to this study site was conducted in May 2004, and key project staff were interviewed again by telephone in August 2005.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Jefferson Economic Development Institute (Mt. Shasta, CA)

Urban/rural	Rural
Agency type	Microenterprise development
AFI grant amount	$150,600
Number of funded accounts	117
Match rate	2:1
Maximum amount eligible for match	$1,000
Maximum match amount (combined federal and nonfederal)	$2,000
Hours of general financial education required	21 hours
Number of accounts opened (August 2005)	44
Percent of accounts opened, by intended use	20% homeownership 75% microenterprise 5% education
Number of financial institutions	2

Project History and Development

The Jefferson Economic Development Institute (JEDI) was founded in Mt. Shasta in 1996 as an outgrowth of an earlier microenterprise initiative that focused on lending to women business owners. Two individuals from that earlier initiative were instrumental in forming JEDI, becoming its Executive Director and IDA Program Director. Through their prior experience administering a peer lending program and providing microenterprise training and technical assistance for low-income business owners, they learned the importance of money management skills, peer support, and financial incentives in the success of women-owned small businesses. JEDI's mission is "to empower people and communities to create prosperity" by fostering opportunities for asset building and small business ownership throughout Siskiyou County, an area with above-average poverty (18.6 percent in 1999) and unemployment (10.6 percent in 2003).

In October 1999 JEDI implemented a small IDA pilot project focused on microenterprise, with funds provided by the California Statewide Certified Development Corporation (CSCDC).[20] The purpose of the pilot was to test the proposition that stronger personal money management, combined with financial incentives to save, can lead to more successful small business development. Scott Valley

[20] CSCDC is a nonprofit, tax-exempt organization certified by the Small Business Administration (SBA) as an intermediary in the market for financing to small business owners. CSCDC offers second-mortgage financing through the SBA-administered Section 504 program and also provides grants to local nonprofit organizations in support of microenterprise development. CSCDC's earliest grants to JEDI dated back to 1997.

Bank, which held JEDI's business accounts, agreed to administer the IDA accounts under the pilot program. Financial education and microenterprise training were offered through the College of the Siskiyous, a local community college.

A total of 26 individuals enrolled in the pilot in three separate cohorts, with income eligibility set at 80 percent of the area median income. All participants in the second cohort aimed to start family day care businesses. A concerted effort was made to develop and maintain close personal contact between each participant and the agency staff, along with strong peer support within each group of participants. To assist in operating the pilot test, JEDI acquired and used the Management Information System for Individual Development Accounts (MIS IDA).

The outcomes of the pilot were encouraging. Among 26 accountholders, 25 made matched withdrawals. Of these 25 participants, 21 made their matched withdrawals for microenterprise.

JEDI then received an AFI grant of $150,600 in September 2002 to fund 117 accounts under the Building Assets Program. Participants were enrolled in two cohorts, the first with 24 accountholders in March 2003 and the second with 20 accountholders in January 2004. Community Development Block Grant (CDBG) funds, received by JEDI to support its ongoing microenterprise initiatives and general administrative infrastructure, also indirectly subsidized the AFI project by covering some of the organization's basic operating and training costs. A second financial institution, PremierWest Bank, joined the project, providing additional branch locations to the AFI participants.

The Building Assets Program provides a 2:1 match rate for savings of up to $1,000 accumulated over a two-year savings period, for microenterprise, homeownership, and postsecondary education. Accountholders have up to one additional year to make their matched withdrawals (and cannot make matched withdrawals within the first six months after account opening). To open their IDA account, participants must have completed the basic financial education course, entitled "Making Your Money Work for You," which is offered by JEDI in partnership with the College of the Siskiyous.

In the grant application JEDI anticipated two sources of nonfederal match funds: JEDI itself ($100,600, to be raised through fundraising) and the state's Tulelake Basin Family Assistance Grants ($50,000).[21] Through August 2005, JEDI had secured about $65,000 of the planned $150,600 in nonfederal funding, from sources other than those specified in the grant application. Specifically, CSCDC provided $55,000 ($45,000 for IDA match funds and $10,000 for project administrative expenses). Another $10,000 in nonfederal match was received from the First Five Commission. This grant, supported by the national tobacco settlement funds distributed through states and counties, was earmarked for IDA match for individuals going into business as child care providers.

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[21] The Tulelake Basin Region, an area in the northeastern corner of Siskiyou County heavily dependent on agriculture, had been targeted by the state for local financial assistance following prolonged drought conditions. In March 2001 the Governor of California declared the region a disaster area when water flow ceased from the Klamath Lake into downstream farm irrigation systems. With this declaration, state funds became available to support laborer families. JEDI's plans called for partnering with the Tulelake Community Partnership to utilize the Family Assistance grant funds as nonfederal match in serving families who were second-year grant recipients.

Key Findings

Unable to raise any additional nonfederal match funds, the AFI project suspended enrollment of new participants after the second cohort entered in January 2004. The project continued to maintain a waiting list, which had grown to 45 individuals by August 2005.

Despite this project's inability to reach its intended scale, JEDI's approach to project design and implementation provides useful lessons to practitioners, as follows.

Serving participants who are geographically dispersed. The financial education course is a nine-week course offered three times a year, in the southern part of the county in the fall, in the northern part of the county in the spring, and in an outlying western area in the summer. The course consists of nine weekly sessions, conducted from 6 to 9 p.m. on weekday evenings. Videoconferencing has not been used with this class due to the personal nature of the financial issues being covered and the desire to have the instructor in direct contact with students, to support the degree of positive change that is the goal of the program.

Early screening for motivation. Participants are required to attend seven of the nine weekly sessions of the financial education course (i.e., 21 hours) before enrolling in the AFI project. Once enrolled, participants are then expected to save at least $20 per month. Three consecutive months of missed savings can result in termination from the project. Those savers who experience difficulty are allowed to take a temporary leave of absence of up to six months from the program and can maintain their standing.

Providing financial education cost-effectively. The financial education course is conducted without any expenditure of AFI funds, by offering the course through the local community college. The IDA Program Director is an adjunct faculty member and receives state-funded compensation (at a rate of $40 to $45 per teaching hour) for teaching the course. The course is open to state residents for a fee of $39. The class sizes range from 15 to 35 students, of whom about half entered the AFI project.

Building peer support among accountholders. Participants are enrolled in distinct cohorts, as they complete the financial education class at the community college. To maintain their active status in the program, participants must then attend at least two quarterly "savers' meetings" each year. These meetings are held on a weekday evening from 6 to 9 p.m. either at JEDI's offices in Mt. Shasta or at other locations in the county.

Establishing a short (24-month) savings period. Participants have 24 months to accumulate savings up to the matchable limit of $1,000. This design is in contrast to one in which all participants have until the end of the five-year period to accumulate savings and make matched withdrawals. The longer savings period allows participants more time to save—but if they fail to make full use of their available match funds these funds must be returned to HHS. JEDI's approach gives the grantee time to find and enroll other participants who can make use of the funds.

Project Brief 10

Total Action Against Poverty in Roanoke Valley Roanoke, Virginia

Total Action Against Poverty (TAP) is a community action agency. In FY2002, TAP received an AFI grant for $122,500 to support 71 accountholders in Roanoke Valley. As lead agency for the Roanoke Valley Partnership, TAP operates an AFI project in a four-county area in southwestern Virginia. Information for this project brief was collected during a site visit conducted in June 2004 and a follow-up telephone interview in August 2005.

This project offers insights regarding:

- *Raising nonfederal funds*—Strategic partnerships can result in additional resources for participants.
- *Forging organizational partnerships*—A shared governance model with partners helps keep all parties engaged in the process.
- *Recruiting and selecting participants*—A rigorous enrollment process results in more motivated participants.
- *Achieving administrative efficiencies/Supporting program participants*—Enrolling participants in cohorts makes the project easier to manage, and creates more support among participants.
- *Adapting to feedback and changing conditions*—Undertaking a small pilot program helped TAP finalize the design of its AFI project.

Building on its pilot project experience, TAP and its partners in the Roanoke Valley Partnership have established a robust AFI project. Partners participate in key decisions on project design and implementation and contribute critical financial and service resources, keeping them actively involved throughout the project. Although a lack of nonfederal matching funds limited the project's ability to enroll the planned number of participants, some 73 individuals have opened IDA accounts and 34 have graduated and made their asset purchase.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Total Action Against Poverty (Roanoke, VA)

Urban/rural	Urban/rural
Agency type	Community Action Agency
AFI grant amount	$122,500
Number of funded accounts	82 (reduced to 71 in 2004 by grantee)
Match rate	4:1
Maximum amount eligible for match	$1,000
Maximum match amount (combined federal and nonfederal)	$4,000
Hours of general financial education required	15 hours
Number of accounts opened (August 2005)	73
Percent of accounts opened, by intended use	45% homeownership 35% microenterprise 20% education
Percent of grant for administration	15%
Number of financial institutions	5

Project History and Development

The Roanoke Valley is a four-county area that includes the cities of Roanoke and Salem. Founded in 1965, TAP is a community action agency serving the Valley's low-income population through some 36 programs including Head Start and programs in microenterprise, workforce development, and economic development.

TAP's AFI project has its roots in an earlier pilot IDA project operated by the grantee. One of the outcomes of the pilot project was creation of the 15-member Roanoke Valley Partnership, a collaborative formed to encourage asset building among low-income families in the area. Members include the United Way, financial institutions, housing providers, employment services providers, and faith-based organizations.

In October 2002, TAP, as lead agency for the Roanoke Valley Partnership, was awarded a $122,500 AFI grant for an 82-account IDA project. The project features a 4:1 match rate, with participants saving up to $1,000 and receiving a $4,000 match. To receive the match, participants must attend 15 hours of general financial education as well as some asset-specific training before purchasing their allowable asset (home, postsecondary education, or small business).

TAP plays a central role in the project, including coordinating Partnership members; preparing the grant application; developing policies, procedures, and program forms and documents; recruiting and training participants; overseeing IDA activity; and fundraising and fiscal management. Other partners play a role in raising public awareness of the AFI project, participating in decisions about project design and implementation (including participant selection), and supporting AFI participants.

TAP conducts very little public outreach, instead drawing participants from its own client base and that of Partnership members, as well as relying on word of mouth. A five-step enrollment process culminates in final selection that includes input from all the Partnership members. Participants are enrolled in cohorts of 14 to 15 participants. This approach keeps caseloads manageable for the IDA project coordinator and allows cohort members to get to know and support each other.

At the time of the June 2004 site visit for this study, TAP had 48 active participants and 13 graduates. In the summer of 2004, TAP decreased the number of IDA slots from 82 to 71 for reasons discussed below. By August 2005, of the 73 people who had ever opened an IDA account, 20 remained active participants, 31 had graduated from the program (exiting after making at least one matched withdrawal), and 22 had left the program without making a matched withdrawal.

According to the data submitted in the 2006 Annual Data Report to Congress, TAP's 73 accountholders have saved $48,078, averaging $677 total savings deposits per participant. In addition, 34 accountholders have purchased assets totaling $131,935, or an average asset purchase of $3,880 per participant.

Key Findings

TAP benefited from undertaking a small IDA pilot project. TAP operated a pilot IDA project for TANF-eligible individuals. The one-year pilot had 60 participants, of whom 24 completed all requirements and made their asset purchase. Through the pilot project, TAP formed partnerships with local financial institutions and developed systems for managing accounts. After successfully implementing the pilot project, TAP organized the Roanoke Valley Partnership and then, as its lead agency, crafted an AFI grant request on behalf of the Partnership, drawing on the pilot experience.

The pilot project experience helped TAP learn to engage low-income individuals to save, to test the project design, and to determine if IDAs were a good fit for the organization. In particular, the pilot experience helped TAP develop an innovative enrollment process for its AFI participants.

The Roanoke Valley Partnership's rigorous five-step enrollment process ensures that selected participants are motivated and ready to participate, while also actively engaging Partnership partners in a critical project activity. Applicants must first attend a 30-60 minute orientation session that describes the AFI project and requirements. Next, each applicant must attend a two-hour money management and application preparation workshop. The third step requires applicants to complete and submit an application along with a $10 credit report fee. The AFI project coordinator then conducts a one-on-one interview during which the applicant and project coordinator review the application, verify income and assets, and review the household's budget. Finally, representatives from all 15 Partnership organizations review the file for each applicant and rate each on well-defined parameters such as income stability, life stability, motivation, cash flow, and credit. Recommendations and final selection decisions are discussed at Partnership meetings. TAP staff estimate that of the roughly 160 applicants who attend the initial orientation meetings, about 15 ultimately enroll in the project.

Enrolling participants in cohorts of 15 participants builds camaraderie and streamlines project administration. Participants are enrolled one group at a time to create a class-like environment and greater sense of support for the participants. It also ensures a manageable caseload for project staff, who provide intensive participant support with limited resources.

A "shared governance" model and partner involvement in services keeps partners engaged. As noted above, final applicant selection is done jointly by the 15 collaborative members. In addition, several collaborative members (TAP Housing, Blue Ridge Housing, Habitat for Humanity, and the Roanoke Redevelopment and Housing Authority) provide homeownership counseling while Consumer Credit Counseling Services provides credit repair assistance. These activities keep Partnership members engaged in the project.

Creative partnerships result in using additional homebuying resources for participants. Another benefit of the Partnership is that TAP is able to leverage resources from other Partnership members. The most widely used option is the Roanoke Redevelopment and Housing Authority's lease-to-own program, which can work in conjunction with IDAs. A portion of the rent paid by the housing tenant is put in escrow for use as a down payment to allow families to move from assisted rental housing to homeownership. Blue Ridge Housing, another Partnership member, can help participants obtain below-market mortgage interest rates and down payment and closing cost subsidies. Habitat for Humanity builds and sells homes using no-interest loans and homebuyers' "sweat equity" to keep overall housing costs affordable.

Difficulties raising the nonfederal match resulted in the TAP project being downscaled, despite having nearly 200 individuals on a waiting list. Two unexpected developments forced the project to reduce the number of slots it could maintain. First, TAP was unable to raise the anticipated nonfederal match funds. Second, TAP staff did not expect so many participants to save the maximum matchable amount. TAP originally assumed that most participants would save only about half of the matchable savings amount of $1,000, but in fact, most participants did save the maximum matchable amount.

Project Brief 11

Great Rivers Community Reinvestment
St. Louis, Missouri

Great Rivers Community Reinvestment is a collaborative of 14 St. Louis-area agencies that was initially created to administer state tax credits for low-income housing. Justine Petersen Housing and Reinvestment Corporation (JPHRC) is the lead agency for this AFI grant. JPHRC is involved, to one degree or another, in the operation of seven IDA programs, four of which are AFI-funded. This AFI project offers insights regarding:

- *Forging organizational partnerships*—Creative partnerships can allow each organization to focus on what it does best.
- *Raising nonfederal funds*—Federal Home Loan Bank funds provide a very useful source of the required nonfederal funding for an AFI grant.
- *Achieving administrative efficiencies*—Offering multiple IDA projects with different terms gives more choices to participants and creates economies of scale.
- *Recruiting and selecting participants*—Targeted recruitment strategies and pre-screening of participants can help lower attrition and dropout rates.
- *Providing financial education*—The accessibility of financial education classes can be increased by providing weekend and evening classes, as well as childcare.
- *Supporting program participants*—A mid-course assessment is a useful way to track participant's progress and provide targeted support.
- *Adapting to feedback and changing conditions*—Self-evaluations have enabled changes in policies and procedures that ultimately improved project outcomes.

Great Rivers Community Reinvestment and its partners illustrate the benefits of an AFI network project under the leadership of an experienced lead agency. Information for this project brief was collected during a site visit conducted in April 2004 and a follow-up telephone call in July 2005.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Great Rivers Community Reinvestment (St. Louis, MO)

Urban/rural	Urban
Agency type	Community development corporation
AFI grant amount	$235,000
Number of funded accounts	100
Match rate (combined federal and nonfederal)	4:1
Maximum amount eligible for match	$1,200
Maximum match amount	$4,800
Hours of general financial education required	7 hours
Number of accounts opened (July 2005)	162
Percent of accounts opened, by intended use	100% homeownership
Number of financial institutions	1

Project History and Development

In 1999, the United Way of Greater St. Louis created a collaborative of six agencies, including JPHRC, to administer IDA accounts as part of an AFI grant received by the United Way. Great Rivers Community Reinvestment was formed by JPHRC to access state credits, but when that did not work well, they reconfigured the company by partnering with the United Way of Greater St. Louis. Half of the positions on the Great Rivers Board of Directors are United Way appointments; the other half are JPHRC-appointed. The United Way's role is to fundraise for the collaborative, and JPHRC conducts most program operations.

Although Great Rivers is technically a collaborative, in many ways the 2002 grant functions as a single-site grant operated by JPHRC. JPHRC was incorporated in 1996 with a mission to assist low- and moderate-income families in acquiring assets. The agency is a HUD-certified counseling agency and a US Small Business Administration (SBA) Micro-loan Intermediary. It also has a wholly owned subsidiary that is a community development financial institution (CDFI). Homeownership counseling is the largest of JPHRC's operations; it also offers microenterprise support in addition to its IDA programs.

US Bank, JPHRC's only financial partner, has been very accommodating to the AFI project. Every bank staff member is trained on the IDA concept, how to open an IDA account, and how to make a matched withdrawal. In addition, US Bank provides electronic file transfers that can be automatically downloaded into MIS IDA for account tracking purposes. This greatly reduces the administrative burden that this tracking would otherwise impose on JPHRC.

JPHRC staff are responsible for all aspects of the AFI project, including the financial and asset-specific education, case management, and data management. The Economic Development Director oversees the IDA programs, but specific activities are undertaken by a variety of other people. Thus, participants work with different staff at different stages of the process. Washington University in St. Louis and St. Louis University partner with JPHRC by providing graduate student interns who are working on their Master's in Social Work. These interns work with IDA participants as well.

Key Findings

This strong AFI project contains a number of promising practices for practitioners.

The benefits of good "mission fit" with the grantee organization, and strategic partnerships, can create a strong decentralized project that allows each organization to apply its own individual strengths to the program. It permits the IDA project to be effectively operated with a decentralized structure. For example, the United Way is a strong fund-raiser, JPHRC is adept at program implementation, and the US Bank was able to apply for Federal Home Loan Bank funding, the source of the nonfederal funding for this grant. JPHRC is an organization that promotes homeownership, allowing participants access to homeownership counselors who can offer one-on-one assistance. The recruitment burden is also lessened because JPHRC can tap into an existing client base (people seeking homeownership counseling) that is naturally interested in IDAs. JPHRC is also a CDFI that can offer emergency loans to participants to avoid tapping into IDA funds for emergencies.

Target IDAs to those who have been identified as ready and motivated, rather than relying on a broader outreach strategy. When they began the AFI project, JPHRC tried to reach as many people as possible with the program, marketing to as many places as possible. The organization soon discovered, however, that dropout rates were high, as those who were enrolling were not financially ready or sufficiently motivated for an IDA. By transferring staff time from recruiting and counseling those who will not stay in the program to prescreening, JPHRC staff saw a reduction in its dropout rate.

Make financial education convenient to the participants. The financial education requirements are one potential barrier to participants completing the program. JPHRC has found ways to make financial education more accessible, including holding daylong Saturday sessions that cover all the requirements, providing on-site childcare, and remaining open later in the evening and on Saturdays.

Operating several IDA programs widens the choice an organization is able to offer clients and creates administrative economies of scale. Because JPHRC has the authority to enroll individuals among several IDA programs, each with different savings periods, matches, and allowable uses, JPHRC is able to assign applicants to the IDA program that best meets their needs. If participants are not on track to finish in time, they are moved to another IDA project with lower match rate, but longer savings period. This allows JPHRC to match applicants to IDA projects that best suit their circumstances. It also creates economies of scale for administrative tasks. Developing this broad base of experience increases the expertise and administrative resources that can be brought to bear on any one IDA project.

When savings periods are short, a screening process is necessary to ensure that enrollees are likely to be ready to purchase their asset within the required time allotment. JPHRC's mid-course assessment mechanism places participants on teams according to their level of asset-readiness. This helps the organization determine whether the remaining savings period will be sufficient for a given individual. Since JPHRC has several alternative IDA programs, each with different savings periods, it helps determine which program is most appropriate for the individual. It also identifies individuals who will need additional counseling as the deadline draws near.

To meet the requirements of multiple funding sources, there is a need to be creative in designing program policies. JPHRC's nonfederal funding for this AFI project comes almost entirely from a Federal Home Loan Bank (FHLB) grant, which has far different regulations from AFI. (Normally, FHLB grant funds are drawn down on behalf of specific participants. In contrast, AFI funds normally must be drawn down prior to identifying participants, to fund the program slots before filling them.) JPHRC was able to design a system of identifying participants before enrolling them into the AFI project, enabling the agency to draw down funds from the FHLB grant. These participants are not enrolled into the AFI project until the FHLB money is in the AFI reserve fund, thus also complying with AFI rules.

Self-evaluations have helped inform JPHRC on which policies and practices are working, and if not how to improve them. For example, one study of its participants found an early warning signal of program dropout: a lapse in deposits after the fourth month of participation. As a proactive step, JPHRC staff now spend much more of their time with participants during the first four months, with required counseling even before enrollment.

Project Brief 12

Allegany County Human Resources Development Commission, Cumberland, Maryland

The Allegany County Human Resources Development Commission (HRDC) of Cumberland, Maryland, implemented the Family Asset Development Program, with primary focus on homeownership. The project served approximately 169 participants in Allegany County, a largely rural county of nearly 75,000 residents in northwestern Maryland.

This AFI project offers insights regarding:

- *Adapting to feedback and changing conditions*—A pilot can identify aspects of program design that may be operationally infeasible.

- *Supporting program participants*—Overly restrictive program rules can inhibit program recruitment and keep participants from taking full advantage of IDAs.

- *Raising nonfederal funds*—Combining IDA match funds with other forms of homebuyer assistance, including assistance with closing costs and home repairs, helps maximize the value of matching funds. On the other hand, difficulty in obtaining nonfederal match can prevent a project from reaching its planned scale.

Several circumstances worked to the advantage of this project: a well-established and well-funded community action agency as grantee; a good base for participant recruitment through the grantee's tax assistance programs; and favorable housing market conditions with a good supply of homes that were affordable for first-time homebuyers. The design of the AFI project was sound, having benefited from the grantee's early pilot project. In the end, however, the project was unable to achieve its anticipated scale. Restrictive program rules and lack of nonfederal match funds were the key factors in this outcome. The visit to this study site was conducted in June 2005.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Allegany County Human Resources Development Commission (Cumberland, MD)

Urban/rural	Rural
Agency type	Community action agency
AFI grant amount	$155,000
Number of funded accounts	169
Match rate	2:1
Maximum amount eligible for match	$1,000
Maximum match amount (combined federal and nonfederal)	$2,000
Hours of general financial education required	6 hours
Number of accounts opened (June 2005)	45
Percent of accounts opened, by intended use	51% homeownership 33% microenterprise 16% education
Number of financial institutions	1

Project History and Development

The Allegany County HRDC was founded in 1965 as a private nonprofit social service agency to address the needs of the low-income and economically disadvantaged residents of Allegany County. At the time of the AFI grant in 2003, HRDC, by then formally designated as the county's community action agency, was providing services to 11,000 clients, operating 18 programs in 15 locations. It had 150 employees, and an FY 2003 operating budget of $7 million. HRDC's primary focus has been the county's working poor population, especially those 18 to 45 years of age.

During 2002-2003, prior to applying for its AFI grant, HRDC implemented a small pilot IDA program. A multi-tiered match rate was used, providing a 3:1 match for initial savings, declining to 1:1 and then 0.50:1 at higher levels of savings. The total amount of matchable savings was $1,000, with a maximum of $2,000 in match funds. The rationale for this design was that participants needed a strong financial incentive to initiate their efforts to save. Program staff believed that the match rate could be gradually reduced once a habit of savings was established.

The early pilot IDA program was funded with $60,000 in HRDC internal funds, and from proceeds of $2,000 from the sale of tax credits. Eligibility for the program was limited to those with incomes at or below 80 percent of the area median income. A total of 30 accountholders were enrolled. By the spring of 2003, 10 of these participants purchased homes. One of these participants became the future Program Director for the AFI project.

The AFI application submitted in August 2003 called for 241 accounts to be opened during the period 2004-2007. Assuming 30 percent attrition, HRDC projected that 169 participants would make matched withdrawals, with 62 percent for homeownership, 27 percent for small business, and 11 percent for postsecondary education. HRDC's financial partner under the AFI grant (as under the pilot program) was Farmers and Merchants Bank, which later became Susquehanna Bank as part of a merger.

In applying for the AFI grant, HRDC expected to continue with a multi-tiered match rate structure. After submitting the application, however, the HRDC staff concluded that the multi-tiered approach was administratively unworkable. The pilot experience demonstrated that applying the varying match rates was quite burdensome for program staff and would have been infeasible for the larger scale program. Following the award of the AFI grant, HRDC obtained approval from OCS to adopt a conventional, single-tier match rate—2:1 for up to $1,000 in savings.

As of June 2005, a total of 45 accounts had been opened under the AFI project. Seven of the 45 participants had successfully graduated from the program, with three purchasing homes, three starting small businesses, and one pursuing postsecondary education. Ten accountholders had been terminated from the program, and the other 28 remained active accountholders.

The agency has had difficulty raising nonfederal match. The AFI grant amount of $155,000 was to have been matched by city CDBG funds ($32,000), county funds ($20,000), HRDC's own funds ($60,000), and unspecified private contributions ($43,000). The CDBG amount ultimately obtained was higher than anticipated ($42,000), and the expected $80,000 in County and HRDC funds was secured. Unfortunately, no other funds have been identified for the remaining $33,000 that was to have come from unspecified private sources.

One distinctive feature of this AFI project was that participants were not allowed to accumulate additional matchable savings after making their initial matched withdrawal. Thus, if a participant saved $500 and then made a matched withdrawal (to meet a tuition payment, for instance), the participant lost the opportunity to take advantage of matching on any additional savings that he or she might accumulate on the next $500 of savings (i.e., up to the matchable limit of $1,000).[22]

For those purchasing homes, HRDC attempted to arrange for other assistance to supplement the IDA match. At times in the course of the project, additional assistance for homebuyers was obtained from CDBG funds (up to $1,000 for closing costs), from Federal Home Loan Bank funds (up to $4,000 for closing costs), and from the Merchants and Textiles (M&T) Bank (up to $8,000 for home repair costs).

[22] This was a simplifying provision of HRDC's initial AFI grant proposal, which called for a multi-tiered match rate. When HRDC sought and obtained OCS approval for a single match rate (2:1), the organization did not seek to relax the provision limiting the accumulation of further matchable savings after the initial matched withdrawal.

Key Findings

The Allegany County HRDC's experience as an AFI grantee offers a number of useful lessons for other AFI practitioners, as follows.

A pilot IDA project can help identify aspects of program design that are operationally infeasible. The multi-tier match rate adopted as part of HRDC's early pilot project was administratively unworkable. It became clear during the pilot that the necessary record-keeping for such a design was much too burdensome. Learning from this, HRDC was able to alter the design before implementing its AFI project.

Program rules regarding savings and matched withdrawals can become overly restrictive, to the detriment of program recruitment and participant success. HRDC adopted several program rules that needlessly constrained participants in using their accounts for making deposits and matched withdrawals. The rules prohibited an accountholder from making matched withdrawals on multiple occasions. The project was designed primarily as a homeownership-focused IDA program, whereby a participant would make a single matched withdrawal for the purchase of his/her home. This rule neglected to take into account the fact that expenditures for postsecondary education and microenterprise are not typically made in a single lump sum. The HRDC project also interpreted AFI rules as preventing any monthly deposit from exceeding the amount of one's monthly earnings. This prevented participants from depositing their EITC refunds, an important source of IDA savings in many AFI projects.

Combining IDA match funds with other forms of homebuyer assistance helps make homeownership possible for program participants. A layering of benefits can be beneficial, even in an area of relatively low housing prices. (The median home value was $71,000 for owner-occupied homes in Allegany County.) Assistance with home repair costs was especially helpful in light of the area's aging housing stock, as the houses that were affordable for first-time home buyers often required repairs.

Project Brief 13

Partners for Self-Employment
Miami, Florida

Partners for Self-Employment (PSE) operates a fast-growing IDA project called the Matched Savings Fund, under a grant of $679,500 received in FY2003 to support 284 accounts. One site visit was made to PSE in May 2005.

This project offers insights regarding:

- *Forging organizational partnerships*—Partnerships can increase the resources available to IDA participants.
- *Recruiting and selecting participants*—A moderately rigorous screening process can reduce participant attrition rates.
- *Adapting to feedback and changing conditions*—Adapting the organization's existing management information system (MIS) program for the AFI project allowed the organization to centralize data collection and sharing.

PSE has been growing steadily since receiving the AFI grant in 2003. PSE's success in establishing partnerships with other community-based organizations has enabled the grantee to leverage community resources to help support the IDA project. All the organizations play a role in supporting IDA participants and help raise awareness of the IDA project. Even more importantly, many share responsibility for project operations, reducing administrative burden for staff and bringing access to more resources for participants.

Project History and Development

Partners for Self-Employment is a nonprofit Community Development Financial Institution (CDFI) serving low-income families and individuals in Dade County since 1993. PSE operates a fast-growing IDA project called the Matched Savings Fund, featuring a 2:1 match rate. Participants save up to $2,000 and may receive a $4,000 match to purchase a home or launch a small business. Participants attend 12 hours of general financial education as well as some asset-specific training. PSE's financial partner is Citibank, which holds participant IDA accounts and the reserve fund and helps facilitate some of the financial education classes.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

Partners for Self-Employment (Miami, FL)

Urban/rural	Urban
Agency type	Microenterprise Development
AFI grant amount	$679,500
Number of funded accounts	284
Match rate	2:1
Maximum amount eligible for match	$2,000
Maximum match amount (combined federal and nonfederal)	$4,000
Hours of general financial education required	12 hours
Number of accounts opened (June 2005)	220
Percent of accounts opened, by intended use	60% homeownership 40% microenterprise
Number of financial institutions	1

In 2002 PSE applied for a $679,500 AFI grant to start an IDA program. PSE chose a 2:1 match rate so that the program could be larger and serve more people. The decision to focus on microenterprise and homeownership was driven in part by PSE's largest contributors—the city and county governments—which were primarily interested in housing and job creation.

PSE began implementing the project in February 2003 and enrolled its first participant in May 2003. As of June 2005, PSE had enrolled 220 accountholders (77 percent of the 284 expected) and had one successful graduate who purchased a home. Many other participants were very close to their asset purchase. As described below, PSE cultivated several creative partnerships that have allowed the project to serve a large number of participants with a modest level of PSE staff effort.

In early 2002, PSE's executive director learned about IDAs in a newspaper article. She and her staff concluded that an IDA project would complement their existing microenterprise program, as well as help them expand into homeownership. After talking with staff at other local organizations that had IDA programs, PSE decided to pursue an AFI grant.

Key Findings

PSE's creative and vigorous partnerships result in more resources for IDA participants. As the grantee, PSE developed program policies and procedures and oversees IDA account monitoring. PSE also recruits participants, hosts orientations, and provides financial education and counseling. PSE has drawn on creative relationships with several community organizations to supplement PSE's skills and resources. The innovative approach to AFI collaboration has benefits for PSE, its partners, and participants:

- ***Miami-Dade Neighborhood Housing Services (NHS)*** provides homeownership counseling and education, access to first-time homebuyer mortgage products, and affordable housing opportunities (through home construction and community revitalization projects) to AFI participants. NHS refers its clients to PSE to enroll in the IDA program or to explore microenterprise opportunities.
- ***Habitat for Humanity*** requires that its participants also enroll in PSE's AFI project. This arrangement provides greater assurance that Habitat receives (through a matched withdrawal by the participant) the $1,500 in seed money that it requires from the homebuyer for each house that is built, and then gives the families a cushion for other housing expenses.
- ***Miami-Dade Housing Authority*** refers Housing Choice Voucher (Section 8) program participants to the AFI project, allowing eligible voucher-holders to apply their monthly voucher payment to a mortgage payment.
- ***Micro-Business USA*** offers small business management classes and small business loans to participants interested in starting a business.
- PSE subcontracted with ***World Relief Organization (WRO)*** to recruit, monitor the progress of, and provide financial education to 15 to 20 IDA participants who speak only Spanish. WRO receives $125 per participant to provide case management and financial education.

Well-chosen partnerships permit the grantee to outsource certain project tasks with confidence. The diverse expertise and financial resources these partners bring and their willingness to share responsibility for project operations mean that PSE can operate a large IDA project (220 participants) with limited PSE staff time. With some support from PSE's executive director and program manager, one case manager spends about 25 hours per week on day-to-day AFI project operations.

PSE adapted the organization's existing MIS program for the IDA project. Diverse partners and funding sources come with equally diverse eligibility criteria and record-keeping requirements. PSE had an MIS designed for its microenterprise program. With some modifications, the existing MIS was adapted to allow the grantee to manage the varying requirements and funding flows from its array of partners. This allows PSE to customize reports for a variety of interest groups and track information in a way that is responsive to their needs as well as their funders.

A systematic application process that screens for motivation has reduced initially high attrition rates. In the first several months of the AFI project, PSE reached out broadly and attracted lots of interested participants. But attrition rates were higher than they had expected. In response, PSE made the application process somewhat more rigorous, requiring applicants to attend two, two-hour orientation sessions and complete an application before being accepted into the program. This process helps identify participants who are motivated to stick with the program. As PSE hoped, attrition dropped after these changes were put in place.

Project Brief 14

AJFC Community Action Agency Inc.
Natchez, Mississippi

In FY2003, AJFC Community Action Agency received an AFI grant for $500,000 to support 212 accountholders. AJFC Community Action Agency promotes homeownership in a multi-county service area in southwest Mississippi. This project offers insights regarding:

- *Raising nonfederal funds*—Using other sources for homebuying assistance can supplement the AFI IDA in lowering the purchase price of a home.

- *Recruiting and selecting participants*—A rigorous selection process can ensure that applicants are ready and motivated to participate in the program.

- *Adapting to feedback and changing conditions*—Conducting a pilot IDA project can help inform the AFI project design decisions.

AJFC's IDA project started up very quickly, with strong demand from prospective participants, experience gained from running a successful pilot project, and an appealing program model offering a 3:1 match and the chance to own a new home at an affordable cost. But, the program's growth has been constrained by difficulty obtaining nonfederal match funds. Information for this project brief was collected during a site visit conducted in June 2005.

The following exhibit shows the basic features of this AFI project.

AFI Project-at-a-Glance:

AJFC Community Action Agency Inc. (Natchez, MS)

Urban/rural	Rural
Agency type	Community Action Agency
AFI grant amount	$500,000
Number of funded accounts	212
Match rate (combined federal and nonfederal)	3:1
Maximum amount eligible for match	$1,000
Maximum match amount	$3,000
Hours of general financial education required	12
Number of accounts opened (May 2005)	92
Percent of accounts opened, by intended use	100% homeownership
Number of financial institutions	6

Project History and Development

AJFC was established in 1966. Since then, the agency has administered, through approximately 50 programs, more than $100 million for low-income and underserved people in seven counties in Southwest Mississippi. AJFC focuses on education, child welfare, housing, and community service and support.

AJFC staff learned about IDAs through the internet, contacts with other community action agencies, and banks. An IDA project appealed to AJFC, consistent with the organization's mission to "eliminate the causes and condition of poverty in the land of plenty." In 2003, AJFC launched a pilot IDA initiative patterned after a New Orleans IDA program funded by the Foundation for the Mid South. AJFC received an initial foundation grant for $28,000 and committed $25,000 of its own funds for the pilot.

The pilot focused on homeownership, and participants could receive a 1:1 match on savings of up to $500 accumulated over an 18-month period, subject to requirements for financial education (12 hours) and homebuyer training (8 hours). The initial grant was followed by an additional commitment of $50,000 from the Foundation for the Mid South, to provide match funding for additional participants.

Encouraged by high demand for its pilot program, AJFC applied for AFI funding to expand the program. AJFC reached out to potential community partners and drew on lessons learned from the pilot to strengthen the program design. In the meantime, AJFC continued to accept IDA applications under the pilot in anticipation of future funding. These activities made it possible for AJFC to move quickly after receiving the AFI grant. They began enrolling IDA participants within a month of receiving the $500,000 AFI grant in September 2003, and demand has continued to be high.

Participant savings of up to $1,000 receive a 3:1 match through the AFI project. As in the pilot, participants must complete 12 hours of financial education along with 8 hours of homebuyer education. Participants are also required to save continuously for at least six months, with a minimum monthly savings of $30 and minimum total savings of $500. The maximum savings period is 30 months. The AFI project is affiliated with six financial institutions so that participants can have access to a local bank branch, no matter where they live in AJFC's large service area.

Despite the availability of existing homes in the local market, AJFC's encourages participants to purchase new homes built by AJFC specifically for the AFI program. AJFC can customize the homes for the individual participants, providing strong incentives for enrolling in the program and for saving. AJFC also helps participants access a variety of additional subsidy sources that can reduce the cost of these homes (typical sales prices are about $94,000) by as much as one-third.

At the time of the June 2005 site visit, 92 of an expected 212 accounts had been opened, with five successful program graduates. Four participants had purchased homes, and one was in the process of purchasing a home. Most participants reside in Adams County, where AJFC's main office is located, but AJFC hopes to expand recruitment further within the agency's nine-county service area. However, despite the high level of interest in the program, AJFC has not been able to meet its enrollment target because of a lack of nonfederal matching and administrative funds.

According to the data submitted in the 2006 Annual Data Report to Congress, AJFC has enrolled 133 accountholders. These accountholders have saved $41,634, averaging $313 total savings deposits per participant. In addition, 7 accountholders have purchased assets totaling $35,000, or an average asset purchase of $5,000 per participant.

Key Findings

AJFC's AFI project benefited from the lessons learned under the earlier pilot project. For example, AJFC strengthened the focus on the educational aspect of IDA participation, recognizing how important this was to participant success in the pilot program. In addition, the recruitment efforts undertaken during the pilot created a large pool of applicants that enabled the project to have a strong start and begin enrolling participants only one month after grant award.

A rigorous selection process ensures that IDA enrollment is made available to the most IDA-ready. Potential applicants are classified into three groups based on income and credit score and the number of months they will likely need to prepare for homeownership (6 months or less, 8-11 months, and 12 months or more). "Six-month" applicants proceed directly to financial education classes, while "eight-month" applicants are referred to a credit repair program. "Twelve-month" applicants are those needing to repair their credit before being considered for enrollment. Once a group of 10 to 12 applicants is ready for the IDA program, the agency organizes the financial education classes to get them started. Participants must complete three financial education classes—half of the total required amount—before they are allowed to open an IDA account.

Intensive case management and support services supplement careful prescreening. Project staff follow up with in-person meetings and telephone contacts to make sure participants are meeting their savings goals and to help find other sources of financial assistance to help fund their home purchase.

As enrollment has grown, however, it has been difficult for the small number of staff working on the project to maintain the intensive case management. Peer support is one strategy for supplementing staff resources. Financial education classes are kept small (10 to 12 participants) to encourage a sense of informal support and camaraderie. Milestones are noted with ceremony. For example, when a participant completes the three financial education classes required before opening an IDA account, a presentation ceremony is held in the classroom. The participant receives a letter indicating she is qualified to open an account, and classmates applaud his or her achievement.

AJFC has been very successful in using multiple sources of home-buying assistance from other sources to supplement the AFI match. In doing so, this project reduces the cost of a home to homebuyers by as much as one-third (total assistance averages $33,000 to $43,000 per participant, excluding the IDA match.) Sources of leveraged funds include county and state housing programs, the federal voucher homeownership program, and programs offered by the Federal Home Loan Bank and the Mississippi Home Corporation. The largest source is the federal HOME program, administered by the Mississippi Development Authority.

Despite strong interest in the AJFC program, a lack of nonfederal match and administrative funds has made it difficult to meet the demand. This has prevented this project from filling its funded slots and has hampered outreach to rural areas in the agency's service area. In addition, the project has been significantly understaffed, which makes its intensive case management model difficult to sustain. At the time of the site visit, AJFC was pursuing creative options for securing funds to support the IDA project such as collaborating with local employers or seeking funding under a proposed state-wide IDA project.