
Report to Congress

Assets for Independence Program

Status at the Conclusion of the Tenth Year

Office of Community Services
Administration for Children and Families
U.S. Department of Health and Human Services

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Executive Summary

This Tenth Annual Report presents the status of the Assets for Independence (AFI) program as of the end of Fiscal Year (FY) 2009. It provides a brief overview of the AFI program's origin and ongoing administration, basic mechanics, and operational characteristics. The Report also identifies key outputs and the critical outcomes.

Program Overview

The Assets for Independence program was established by the Assets for Independence Act ("the AFI Act") in Title IV of the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (Public Law 105-285). The Office of Community Services (OCS), within the Administration for Children and Families (ACF), at the U.S. Department of Health and Human Services (HHS), administers the AFI program. The AFI program is a multi-site, national demonstration supporting innovative asset-building projects, which feature Individual Development Accounts (IDAs), financial education, and related services that enable low-income people to improve their economic status and become self-sufficient.

The program involves three components: 1) grant funding for two categories of IDA projects—regular projects and special State projects; 2) support for grantees and their partners through training and technical assistance provided by the HHS AFI Resource Center; and 3) ongoing research and evaluation about project administration and the impacts of AFI projects and IDAs.

IDAs are restricted savings accounts through which low-income, asset-poor¹ individuals and families combine their own savings with matching public and private funds to purchase a home, capitalize a business, pay for postsecondary education or vocational training, or support an IDA owned by a family member for the same purposes. While saving for an asset purchase, concurrent financial literacy education teaches individuals and families sound money management and financial decision-making skills.

Congress has appropriated funds for the AFI program annually since FY 1999, including a total of \$10 million each year in FY 1999 and FY 2000, approximately \$25 million each year from FY 2001 through FY 2005, and approximately \$24 million each year from FY 2006 through FY 2009. HHS awards AFI grants to nonprofits, community-based entities, and government agencies that partner with nonprofits. Grantees use each AFI grant to support one AFI project for five years. Some grantees are administering concurrent grants, meaning they are managing several AFI projects simultaneously. Through FY 2009, HHS funded 611 AFI projects since the program's inception. Grants were awarded to 352 organizations that implemented 590 regular AFI projects. Of this number, a total of 548 projects were active at the end of FY 2009. The

¹ "Asset-poor" refers to individuals and families who have insufficient financial resources to support themselves at the poverty level for three months during a suspension of income.

Department also awarded grants to the States of Indiana and Pennsylvania to implement two special State AFI projects.

HHS provides training and technical assistance to AFI grantees and their project partners, as appropriate, through the AFI Resource Center. The AFI Resource Center is working to increase knowledge among the asset-building field about providing IDA services and related supports. It produces periodic topical training webinars and in-person training events. It also administers a website and an online project management system and database available to all AFI grantees.

AFI Grantees and the Projects Administered

AFI projects are distributed fairly evenly across the nation. Many grantees administer projects that are focused on particular localities and neighborhoods. An increasing number of grantees administer projects that serve statewide, multi-state, or nationwide areas.

More than half of the grantees are Community Action Agencies, human services organizations, or Community Development Corporations. Other common grantee types include local United Ways; community development financial institutions/credit unions; State, local, or Tribal government agencies; and nonprofit housing organizations.

Grantees work in partnership with many organizations to provide participants with support and assistance to succeed with IDAs. They collaborate with community-based organizations to provide financial education, credit counseling, and other services, such as first-time home buyer assistance, support for starting a small business, and help with planning to attend higher education. Grantees also work closely with financial institutions, such as banks and credit unions that hold participants' IDAs and the Project Reserve Funds. Participants in all AFI projects are required to satisfy basic financial training requirements. General training usually focuses on such topics as budgeting, responsible credit use, savings, investments, and taxes. Many grantees also provide "asset-specific" training to participants, featuring such topics as homeownership training, career counseling, and entrepreneurship. Some grantees offer other support services to their AFI project participants and their other clients, such as employment assistance, transportation, and medical care referrals.

- ▶ On average, projects reporting through FY 2009 required participants to complete 11.5 hours of financial education training before purchasing an asset.
- ▶ Many projects required participants to attend training focused on the type of asset being purchased. The average number of hours required for asset-specific training ranged from 5.4 hours to 10.4 hours.
- ▶ Four out of five projects (78 percent) provided financial counseling, while 75 percent provided credit counseling and repair for participants.

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- ▶ About one-half of all projects offered each of the following services to participants: peer support, crisis management, employment support, mentoring, and structured planning exercises.

Characteristics of IDAs Provided by AFI Projects

HHS encourages grantees to customize their AFI projects to meet the unique needs of their populations and geographic areas. Therefore, features and requirements vary greatly among the AFI projects.

Grantees may offer IDA match rates (combining Federal and non-Federal matching funds) ranging from \$1 to \$8 for each \$1 of earned income saved by a participant. AFI projects offer participants IDA matching funds in amounts up to \$2,000 in Federal AFI funds and at least \$2,000 in non-Federal funds for the five-year project period. In addition, the amount provided in match funds and the participant monthly savings requirements tend to vary from project to project.

- ▶ More than 90 percent of AFI projects allowed participants to pursue homeownership as an asset goal, while more than 80 percent allowed participants to pursue postsecondary education or training and business capitalization as asset goals; more than one-fourth of all projects allowed participants to transfer account savings to a spouse's or dependent's IDA.
- ▶ A match of \$2 for each \$1 saved was the most common match rate across all three major asset purchase goals.
- ▶ Maximum allowable match amounts ranged from \$160 to \$4,500; the average was \$1,631 for the five-year project period.
- ▶ The average minimum monthly participant savings deposit amount was \$25.

Characteristics of IDA Account Holders

The primary characteristics of individuals with IDAs have remained relatively constant over the demonstration's ten years, even with considerable growth in the number of AFI projects across the nation.

- ▶ **Gender.** Nearly three-fourths of all IDA account holders were female (74 percent), while 26 percent were male.
- ▶ **Race/Ethnicity.** Nearly half of all account holders (45 percent) were African American, while 30 percent were Caucasian, 18 percent were Hispanic, 3 percent were Asian American, 2 percent were Native American, and 2 percent were "other."
- ▶ **Marital status.** More than half of all account holders (55 percent) were single at the time of enrollment, while 23 percent were married, 15 percent were divorced, 6 percent were separated, and 1 percent was widowed.

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- ▶ **Number of adults in household.** More than half of all account holders (59 percent) were individuals who, at the time of enrollment in the AFI project, lived in a household with only one adult (i.e., lived alone or were single parents). Thirty-two percent lived in a household with two adults; nine percent lived in a household with three or more adults.
 - ▶ **Number of children in household.** Three-fourths of all account holders (75 percent) were members of a household with at least one child at the time of enrollment; 25 percent of all account holders lived in a household with three children or more.
 - ▶ **Household income range.²** Nearly one-half of all account holders (49 percent) had household incomes greater than 150 percent of the Federal poverty line at the time of enrollment; nearly one-fourth (24 percent) reported income that was between the Federal poverty line and 150 percent of the Federal poverty line, while a similar percentage reported income that was below the Federal poverty line (27 percent). Since the program's inception, both the percentage of all account holders who reported income greater than 150 percent of the Federal poverty line at the time of enrollment, and the percentage who reported income less than 100 percent of the Federal poverty line, have increased somewhat. Conversely, the percentage who reported income at 100 to 150 percent of the Federal poverty line has decreased.
 - ▶ **Residence area.³** At the end of FY 2009, 85 percent of account holders lived in urban areas (major or minor), whereas 15 percent lived in rural or remote areas.
 - ▶ **Education status.** The vast majority of participants (88 percent) who had opened IDAs had completed high school or some postsecondary education or training at the time of enrollment. More than half of account holders (55 percent) had at least some college education at the time of enrollment, while 15 percent held a bachelor's or graduate degree.
 - ▶ **Age.** Slightly more than one-third of all account holders (37 percent) were 30-39 years of age at the time of enrollment. Approximately one-fourth of account holders were in their twenties (27 percent), while a similar percentage was in their forties (22 percent), and the remainder were individuals older than 50.
 - ▶ **Employment status.** Nearly 91 percent of all participants who had opened IDAs were employed either full-time or part-time. A very small percentage either was unemployed or retired at the time of enrollment (these participants were required to become employed in order to have earned income to deposit into their IDAs).

² In FY 2009, the Federal poverty line was \$10,830 for an individual; \$14,570 for a family of two; \$18,310 for a family of three; \$22,050 for a family of four; and \$25,790 for a family of five. The maximum income allowable for AFI eligibility, 200 percent of the Federal poverty line, was \$21,660 for an individual; \$29,140 for a family of two; \$36,620 for a family of three; \$44,100 for a family of four; and \$51,580 for a family of five.

³ A "major urban area" is a metropolitan statistical area with a population greater than 1,000,000. A "minor urban area" is one with a population between 500,000 and 999,999. The term "rural or remote area" encompasses areas not covered in "major urban area" or "minor urban area."

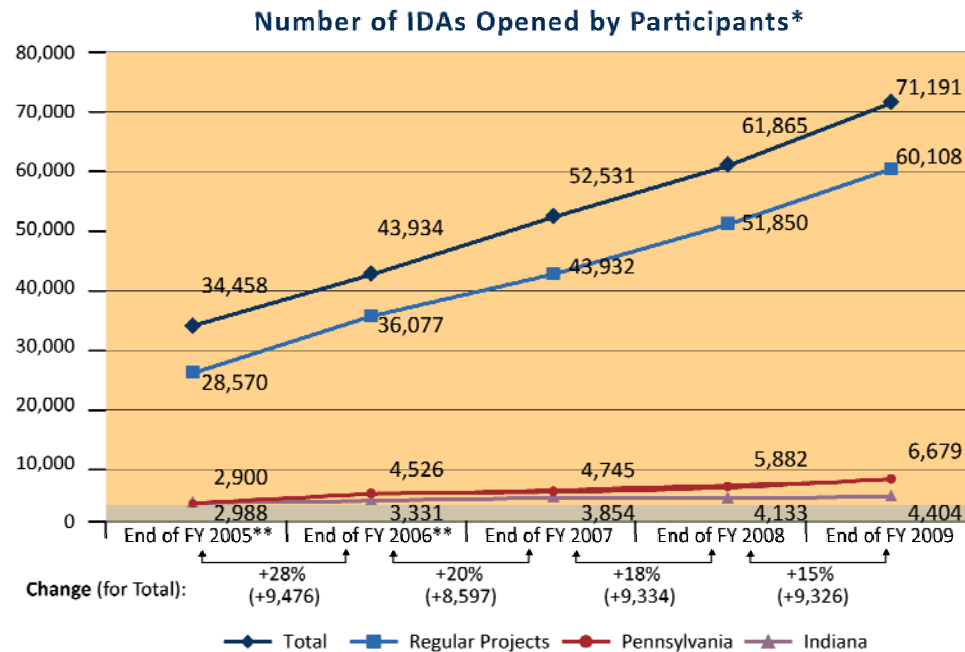
- ▶ **Account holder banking experience.** AFI grantees provide information about account holders' experiences with various banking services prior to enrollment, as well as their use of automatic allotment/direct deposit service to make contributions to their IDAs:
 - Nearly half of all account holders (48 percent) had used a savings account.
 - About two-thirds (63 percent) had used a checking account.
 - Only 12 percent had ever used direct deposit for their paychecks.
 - Upon opening an IDA, 10 percent used automatic banking procedures, such as automatic transfers from other bank accounts or direct deposit, for their IDA savings. Since the end of FY 2003, the percentage of participants using direct deposit has increased.

Program Outputs and Outcomes

The following bullets summarize the major outputs and individual outcomes for the regular AFI projects through FY 2009. These also are presented in **Exhibit ES.1**. (Information about the special State AFI projects administered by the States of Indiana and Pennsylvania is presented in Section 7 of this report).

- ▶ **Outreach and Enrollment.** Through FY 2009, approximately 164,000 individuals had participated in orientations at regular AFI projects. Of those who attended an orientation, an estimated 81,000 participants had enrolled in an AFI project.
- ▶ **Completion of General Financial Education and Asset-Specific Training.** Through FY 2009, regular AFI projects reported that 57,696 participants had completed general financial education requirements, averaging approximately 12 hours of training. In addition, 23,125 participants had completed asset-specific training related to homeownership, 11,401 participants had completed asset-specific training related to business capitalization, and 10,402 participants had completed asset-specific training related to postsecondary education.
- ▶ **Accounts Opened.** Through FY 2009, participants in regular AFI projects had opened a total of 60,108 IDAs; more than 8,258 of these accounts were opened in FY 2009, reflecting an increase of 16 percent from the end of the prior fiscal year.
- ▶ **Intended Use of IDA Savings.** Through FY 2009, 58 percent of all participants had enrolled in an AFI project with the intention of using their IDAs for purposes of purchasing a home, while 20 percent enrolled with the intention of capitalizing a business, and 21 percent enrolled with the intention of pursuing postsecondary education or training.
- ▶ **Savings Deposited.** In the 60,108 IDAs opened in regular projects through FY 2009, account holders had deposited a total of \$56,653,295 in earned income, or an average of \$943 per account holder.
- ▶ **Withdrawals.** Through FY 2009, a total of 46,642 participants had withdrawn \$43,921,954 of earned income they had saved in their IDAs, including for asset purchases (23,147), approved emergency withdrawals (2,856), and other unapproved withdrawals (20,639). The number of participants who had withdrawn funds increased by 22 percent over the previous year.

Exhibit ES.1 Results for Regular AFI Projects and Special State Projects Through FY 2009



* State numbers only reflect participants who opened IDAs with AFI support.

** Due to reporting errors, portions of the Pennsylvania numbers were estimated for these two years.

SUMMARY OF RESULTS

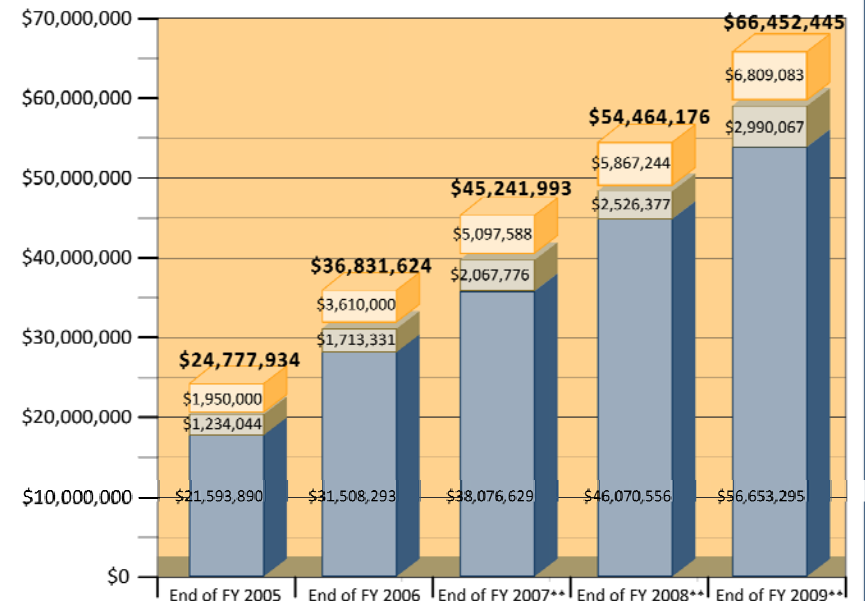
Through FY 2009, participants have opened a total of 71,191 IDAs—60,108 in regular AFI projects and 11,083 in special State AFI projects—and had deposited approximately \$66.5 million of earned income into their IDAs.

More than 29,000 participants had completed the required financial education and used their accumulated IDA savings and matching funds to purchase long-term economic assets. The following numbers of participants had withdrawn funds from their IDAs for approved asset purchases:

- 10,537 for homeownership;
- 7,476 for business capitalization;
- 9,572 for postsecondary education or training;
- 1,640 for other asset purchases (allowed in the State of Pennsylvania only); and
- 99 for transfers to IDAs of a spouse or dependent.

Participants had used approximately \$114.1 million to purchase long-term economic assets, which includes the combined value of their own IDA savings (\$34.8 million) and matching funds (\$79.3 million).

Cumulative Amounts Deposited into IDAs by Account Holders*



Average Deposits Per:

| | | | | | |
|----------------------|-------|-------|---------|-------|---------|
| Pennsylvania IDA: | \$672 | \$798 | \$1,074 | \$997 | \$1,019 |
| Indiana IDA: | \$413 | \$514 | \$537 | \$611 | \$679 |
| Regular Project IDA: | \$756 | \$873 | \$867 | \$889 | \$943 |

■ Pennsylvania

■ Indiana

■ Regular Projects

* Some of the State numbers in this graph are estimations or approximations. For example, due to reporting errors, portions of the Pennsylvania numbers were estimated for FY 2005 and FY 2006 (or derived from estimations).

** Indiana numbers for FY 2007, FY 2008, and FY 2009 only represent participant savings that qualified to be matched by the State.

- ▶ **Asset Purchases.** Through FY 2009, 23,147 participants had withdrawn a total of \$96,097,506: \$28,910,334 in participant savings, \$32,261,453 in Federal match, and \$34,925,720 in non-Federal match funds for purchasing an asset or transferring to the IDA of a spouse or dependent. The average amount of savings plus matching funds was \$4,152.
 - 8,916 participants had withdrawn a total of \$42,247,405 to purchase a home: \$13,155,662 of their own savings, \$13,848,391 in Federal match, and \$15,243,352 in non-Federal match. The average amount of savings plus matching funds per home purchase was \$4,738.
 - 6,706 participants had withdrawn a total of \$26,433,484 to capitalize a business: \$8,301,187 of their own savings, \$8,943,069 in Federal match, and \$9,189,228 in non-Federal match. The average amount of savings plus matching funds to capitalize a business was \$3,942.
 - 7,426 participants had withdrawn a total of \$27,099,823 to pay for postsecondary education or training: \$7,383,463 of their own savings, \$9,348,606 in Federal match, and \$10,367,754 in non-Federal match. The average amount of savings plus matching funds for postsecondary education or training was \$3,649.
 - 99 participants had transferred \$316,794 of their own savings plus match funds to a spouse's or dependent's IDA.

Program Inputs

Through FY 2009, HHS had awarded 611 AFI grants totaling approximately \$180 million. These grants included \$160,010,313 awarded to 352 organizations to implement and administer 590⁴ regular AFI projects. In addition, \$19,706,904 was awarded to the States of Indiana and Pennsylvania via 21 grants for the two special State AFI projects.⁵

Grantees are required to support their AFI projects with a combination of Federal AFI grant funds and cash from non-Federal entities, and must adhere to requirements of the AFI Act regarding the maintenance of such funds.⁶ The amount provided by non-Federal sources must be at least equal to the Federal AFI grant amount. Grantees manage the Federal grant funds and the non-Federal cash in required accounts called Project Reserve Funds, from which they support program costs and provide funds to match participant IDA savings.

Grantees may deposit non-Federal funds as they wish in terms of amount and timing throughout the project period. However, they must deposit into their Project Reserve Funds an amount of non-Federal funds at least equal to the amount of AFI funds requested in order to draw down Federal funds. As of the end of FY 2009, regular AFI project grantees and their non-

⁴ Of this number, a total of 548 projects were active at the end of FY 2009.

⁵ Awards to Indiana are considered one project for reporting purposes. Similarly, awards to Pennsylvania are considered one project.

⁶ Note that all grantees received Federal AFI funds to support their projects. Some grantees also receive other Federal funds to support other services provided to clients who are participating in AFI projects. Unless otherwise indicated, all references to "Federal funds" in this report are to only the Federal AFI grant, not any other Federal funds grantees have received.

Federal funders contributed \$92,506,727 into their respective Project Reserve Funds, while drawing down a cumulative total of \$83,517,028 of their Federal AFI grants.⁷

Special State AFI Projects in Indiana and Pennsylvania

AFI supports two special AFI projects administered by the States of Indiana and Pennsylvania. These States were administering State-level IDA programs before the AFI program was created. The AFI Act (Section 405(g)) authorizes HHS to award grants to further these States' ongoing IDA programs. Because programs in Indiana and Pennsylvania are based partially on State law rather than the AFI Act, elements of these special AFI projects are different from regular AFI projects. For example, requirements for participant eligibility, savings patterns, and allowed purchases vary slightly in the State programs.

Indiana IDA Program:

In Indiana, participants may use IDAs to save over a four-year period, and may use their savings and match funds for the same three assets allowed under the Federal AFI program. Participants may save and be matched up to \$1,600 in their IDAs and receive a \$3 match for each \$1 saved to finance a qualified asset purchase. In Indiana, the following outcomes have occurred since 1999:

- ▶ 4,404 people have opened IDAs and a total of 3,780 participants have completed their savings and received matching funds with support of AFI grants.
- ▶ Participants have withdrawn an average of \$420 from their IDAs for qualified asset purchases.
- ▶ 48 percent of participants used their IDA resources for education, while 33 percent used their IDA resources for homeownership and 19 percent used their IDA resources for business capitalization.

Pennsylvania Family Savings Account Program:

In Pennsylvania, participants may use a Family Savings Account (FSA) to save over a two-year or three-year period, depending on when they enrolled. Savings are matched dollar for dollar up to \$1,000 annually, with a maximum savings of \$2,000 matched over the total saving period. Participants may use FSA savings and match funds for the three AFI allowed asset types as well as for home repair; car, computer, or day care (including child care) related to employment or education; and contributions to the State 529 College Savings Plan. In Pennsylvania, the following outcomes have occurred since 1999:

⁷ Note that not all funds awarded were drawn down because AFI grants have five-year project periods. Grantees may draw down the funds in any increment as needed over the period. For example, they may draw down the entire amount early in the project period or at intervals throughout their project.

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- ▶ 6,679 people have opened FSAs with AFI support, and of these, 2,399 participants have completed their savings and received matching funds with support of AFI grants.
 - ▶ Participants have withdrawn an average of \$1,801 in savings and received an average of \$1,734 in matching funds to buy a home, obtain higher education, capitalize a small business, and finance home repair or automobile purchase, and other purchases allowable in the FSA program.

Additional HHS Support for Grantees and Program Evaluation

Beyond the basic work of awarding and administering grants and monitoring grantees, HHS supports the demonstration through multiple ongoing initiatives. The AFI Resource Center, for example, provides training and technical assistance to all AFI grantees and, as appropriate, their sub-recipients and other partners. This information is presented via training academies, topical conference calls and webinars, customized technical assistance, and the Asset-Building Website.

HHS also administers a number of technical assistance special initiatives that enable grantees to develop and test new ways for delivering IDAs and related services. Among these are an initiative in which HHS is working to enhance the quality of financial education provided to AFI project participants; a pilot project in which a number of AFI grantees are partnering with disability services providers to bring IDA services to people with disabilities and their families; and an ongoing effort to expand the types of organizations that are providing IDAs and related asset-building services.

In addition, HHS provides grantees with access to the AFI-Squared “AFI²” Project Management Tool, which enables grantees and their sub-recipients to collect and manage information efficiently. Throughout 2009, HHS continued to integrate a performance management approach to the overall administration of the AFI program, and it also continued to design the next phase of the ongoing program evaluation.