

Summary of AFI Program Requirements and Related Information

(NOTE: this document was adapted from the final AFI funding opportunity announcement)

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PROGRAM OVERVIEW

The statutory purposes for the AFI program, as stated in Section 403 of the AFI Act, are to provide for the establishment of demonstration projects designed to determine: (1) the social, civic, psychological, and economic effects of providing to individuals and families with limited means an incentive to accumulate assets by saving a portion of their earned income; (2) the extent to which an asset-based policy that promotes saving for post-secondary education, homeownership, and microenterprise development may be used to enable individuals and families with limited means to increase their economic self-sufficiency; and (3) the extent to which an asset-based policy stabilizes and improves families and the community in which the families live.

To achieve these purposes, the AFI program awards grants for local demonstration projects that provide special-purpose, matched savings accounts called IDAs to eligible individuals. Every dollar of earned income that an AFI project participant deposits into their IDA is matched (from \$1 to \$8 in combined federal and non-federal funds) by the AFI project. AFI participants use their IDAs and project matching funds for one of three allowable assets: purchase a first home; capitalize or expand a business; or fund post-secondary education or training.

AFI grantees also assist participants in obtaining the skills and information necessary to achieve economic self-sufficiency. Grantees are encouraged to tailor the strategies and services they offer to the needs of their project participants and the opportunities in their community. Examples of activities in this area include financial education, asset-specific training, financial coaching, credit-building services, credit/debt counseling, and assistance with tax credits and tax preparation. AFI projects may also provide other supportive services for participants. Grantees often work with a variety of partners (e.g., financial institutions, community-based organizations, etc.) in order to implement their project successfully.

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PROGRAM REQUIREMENTS

AFI projects must comply with the [Assets for Independence Act](#) (Title IV of the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, as amended, Pub. L. 105-285, 42 U.S.C. 604 note) and the HHS regulation for the Assets for Independence program at 45 CFR Part 1000.

NOTE: Entities deemed eligible under Section 405(g) of the AFI Act, specifically the Indiana Housing and Community Development Authority and the Pennsylvania Department of Community and Economic Development, may be exempt from certain requirements in Sections 407 through 411 due to inconsistency with their respective state statute at the time of enactment of the AFI Act (October 27, 1998). For more information, refer to [AFI IM Clarification of the Grandfather Clause at Section 405\(g\) of the AFI Act](#).

Cost Sharing. Per Sections 405, 406, 407, and 410 of the AFI Act, grantees are required to finance their projects with a combination of the federal AFI grant and cash from one or more non-federal source(s).¹ The federal AFI grant must comprise no more than 50 percent of the total project budget. The total budget for the project is the sum of the federal AFI grant and cash funding provided by one or more other source(s). For example, a grantee that receives \$300,000 in federal AFI grant funds must provide at least \$300,000 in cash from one or more other non-federal source(s). The grantee may provide in-kind support in addition to the required cash, but in-kind is not counted against the cost sharing requirement. ([Return to Top](#))

Reserve Fund. Per Section 407 of the AFI Act and 45 CFR Part 1000.2, grantees other than a state or local government agency or a tribal government must establish and maintain a project Reserve Fund that holds the federal AFI grant funds and the required non-federal funds and from which funds for project implementation are expended. All project funds must be deposited in the project Reserve Fund as soon after receipt as is practicable. As non-profits with 501(c)(3) status must comply with this requirement, projects administered jointly by governmental entities and non-profits with 501(c)(3) status are required to adhere to the Reserve Fund requirements established in Section 407 of the AFI Act. In order to draw down AFI grant funds, grantees must deposit into the Reserve Fund an amount of non-federal funds at least equal to the amount of AFI grant funds that will be drawn down at that time. ([Return to Top](#))

Limitations on Uses of Funds. Per Section 407(c)(1) of the AFI Act, grantees must use project funds (both federal and non-federal) to assist project participants in obtaining the skills and information necessary to achieve economic self-sufficiency; match project participants' earned income deposits; administer the demonstration project; and provide information regarding the demonstration project that may be required for evaluation.

Per Section 407(c)(3) of the AFI Act, grantees may not spend more than 15 percent of the AFI grant funds for purposes other than matching participants' earned income deposits. Specifically:

- Not less than 2 percent of the federal AFI grant funds shall be used for the collection of data and other information required for evaluation.
- Up to 5.5 percent of federal AFI grant funds may be used for non-administrative functions as follows: assisting participants in the demonstration project in obtaining the skills and information necessary to achieve economic self-sufficiency.

¹ Grant recipients may use other federal funds to meet the AFI cost sharing requirement only if those federal funds have explicit statutory authority to be used to meet the matching requirements of other federal grant programs. Organizations considering using federal funds as non-federal match for an AFI grant should confirm with the federal administrators of those funds that this would be an allowable use of those funds.

- Administrative costs, including program management, reporting requirements, recruitment and enrollment of individuals, and monitoring, may be up to 7.5 percent of the federal AFI grant funds. If the non-administrative function costs are less than 5.5 percent, the excess may be used for administrative costs, provided that the combined administrative and non-administrative expenditures do not exceed 13 percent of the federal AFI grant funds.

Given that Section 410 of the AFI Act requires grantees to match participants' earned income deposits with equal amounts of federal and non-federal funds,² grantees are expected to expend at least 85 percent of non-federal funds on participant match. Both obligations and expenditures of the federal and non-federal funds for participant match must be made in a parallel manner. The portion of the non-federal funds that is not required to be used for participant match may be used for any of the uses described in 407(c)(1) of the AFI Act, and this portion of the non-federal funds is not required to be expended exactly as the federal funds are expended. ([Return to Top](#))

Skills and Information for Economic Self-Sufficiency. Per Section 407(c)(1)(A) of the AFI Act, AFI projects must assist their participants in obtaining the skills and information necessary to achieve economic self-sufficiency. Grantees are encouraged to tailor the strategies and services they offer to the needs of their project participants and the opportunities in their community. Examples of activities in this area include financial education, financial coaching, credit-building services, credit/debt counseling, assistance with tax credits and tax preparation, and asset-specific training. ([Return to Top](#))

Participant Eligibility. Grantees are required to determine whether prospective participants meet the federal eligibility requirements for participation prior to enrollment in the project. Section 408 of the AFI Act limits eligibility for participation in AFI-funded projects as follows:

1. Any individual who is a member of a household that is eligible for assistance under their state's Temporary Assistance for Needy Families (TANF) program established under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).
or
2. Any individual who is a member of a household that meets **both** of the following requirements:
 - *Income Test* - The adjusted gross income of the household is equal to or less than 200 percent of the federal poverty line (based on the annual HHS Poverty Guidelines) or the earned income amount described in section 32 of the Internal Revenue Code of 1986, i.e., the federal Earned Income Tax Credit limits, (taking into account the size of the household).
 - *Net Worth Test* - The net worth of the household, as of the end of the calendar year preceding the determination of eligibility, does not exceed \$10,000. For purposes of determining the net worth of a household, grantees calculate the aggregate market value of all assets that are owned in whole or in part by any member of the household, excluding the primary dwelling unit and one motor vehicle owned by a member of the household, and then subtract the obligations or debts of any member of the household.

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Participant Savings Match. Per Section 410 of the AFI Act, grantees must match participants' earned income deposits with project funds (equal contributions of federal and non-federal funds) at rates ranging from a minimum of \$1 to a maximum of \$8 for each dollar saved by a participant. Not less than once every 3 months, grantees must deposit these matching contributions in the participant's IDA or into a parallel

² Grantees can provide non-federal match in excess of the amount of federal if desired.

account maintained by the grantee. Any one individual may not receive more than \$2,000 in AFI federal funds from an AFI grant, and any one household may not receive more than \$4,000 in AFI federal funds from an AFI grant. ([Return to Top](#))

Withdrawals for Qualified Expenses (Asset Purchases). Section 410(d) of the AFI Act requires that grantees must approve withdrawal requests in writing and that participants may not withdraw funds from their IDA earlier than 6 months after the initial IDA deposit. Qualified expenses are limited to post-secondary education and training that meets the requirements of Section 404(8)(A), first-home purchase that meets the requirements of Section 404(8)(B), business capitalization that meets the requirements of Section 404(8)(C), and transfers to IDAs of family members that meet the requirements of Section 404(8)(D). Definitions for each qualified expense are included in the *Definition of Terms*. ([Return to Top](#))

Withdrawals for Emergencies. Emergency withdrawals must meet the requirements of Sections 404(3) and 410(e) of the AFI Act. Definitions for each qualified expense are included in the *Definition of Terms*. ([Return to Top](#))

Evaluation Activities. Per Sections 407 and 412 of the AFI Act, grantees must provide data and other information requested on project progress to support ACF's evaluation of the AFI program. Grantees are encouraged to engage in other research and evaluation activities as well. ([Return to Top](#))

Administrative Requirements and Reporting. Grantees are required to comply with the Department of Health and Human Services (HHS) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards under 45 CFR Part 75. The Code of Federal Regulations (CFR), including 45 CFR, is available online at <http://www.ecfr.gov>. Under Subpart D—Post Federal Award Requirements, grantees are required to maintain financial and programmatic records, including supporting documentation, in accordance with federal requirements and with the organization's written internal policies and procedures. Key records for AFI projects include those documenting determination of participant eligibility, emergency withdrawals, and qualified expenses for asset purchases. Grantees with partners engaged in project implementation are required to monitor their partners to ensure compliance across the full AFI project. Grantees must submit performance progress reports and federal financial reports. See the [AFI Reporting Requirements Overview](#) on the AFI website for additional information. ([Return to Top](#))

PROJECT DESIGN

While the AFI Act has many specific requirements for projects, there are also several areas in which grantees have some flexibility to design their AFI projects based on the needs and opportunities in their community. For example, grantees must determine which of the allowable assets to offer in their AFI project, and they must select the match rate(s) for participant savings within the range established by the AFI Act. An organization serving an area with an expensive housing market or very low housing stock may find that first-home purchase is not a practical asset for their project, and choose to focus on post-secondary education and business capitalization instead.

In their funded application, grantees stated the geographic service area for their AFI project. AFI projects can range both in geographic and population size. In addition to the statutory eligibility requirements, grantees may set criteria for selecting participants for their AFI project, such as residency in the project service area.

Grantees have significant flexibility with regard to setting rules for their AFI project participants, such as requiring regular deposits, financial education courses, and/or training related to the planned asset purchase. ACF encourages grantees to closely consider the population(s) that they serve when considering requirements for participants. For example, if an organization intends to serve a population that has high rates

of seasonal employment, requiring every participant to make bi-weekly deposits for 12 months is probably not a good fit. ACF recommends that grantees consider the circumstances of potential participants and design their AFI project to maximize participants' opportunity to save and complete their asset purchases. Every participant that successfully purchases an asset to support their economic self-sufficiency also supports the success of that AFI project. [Return to Top](#)

COMMON AFI MYTHS

Noted below are some common misunderstandings of AFI program requirements. See the document [Common AFI Myths](#) for more detailed information on the misunderstandings listed below.

MYTH – IDAs and/or the Reserve Fund Must Earn Interest.

The AFI Act does not require that any associated accounts earn interest – the IDAs, the Reserve Fund, or any other related accounts. AFI grantees have the flexibility to open interest bearing or non-interest bearing accounts for their project.

MYTH - Earned Income is an Eligibility Requirement of AFI.

Earned income is not an AFI program eligibility requirement. However, Section 410 of the AFI Act requires that AFI grantees only provide matching contributions for earned income that participants deposit in their IDAs. Due to this requirement it is common for grantees to add a selection factor for their project requiring that individuals demonstrate that they have a source of earned income as part of their enrollment process.

MYTH - AFI Requires Specific Documents for Participant Files.

There are no federal requirements how the verification of participant eligibility for the AFI program should be documented. Grantees have discretion in how they document their verification of eligibility, including what documentation they require from prospective participants.

MYTH – AFI Requires Regular Savings, Limits Lump Sum Deposits, and/or Requires Participants Meet Savings Goal. The AFI Act does not require IDA holders to make regular savings deposits. The AFI Act does not require that an IDA holder reach their initially-stated savings goal before making a matched withdrawal. The AFI Act does not put a cap on how much an IDA holder can deposit at any one time.

MYTH – AFI Requires that Participants Complete Financial or Economic Education.

The AFI Act does not require that participants complete any training, education or other services. The requirement is on the AFI grantees, not the participants. The grantees are to assist participants in obtaining the skills and information necessary to achieve economic self-sufficiency.

MYTH - Business Capitalization Matched Withdrawals are Paid to Vendors.

Business capitalization withdrawals are not paid to vendors. The AFI Act clearly states that matched withdrawals for business capitalization must be paid directly to a business capitalization account. The asset being capitalized is the business startup or expansion of the IDA holder or the IDA holder's child, dependent, or spouse.

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DEFINITION OF TERMS

Budget Period – The period of time during which the AFI grant funds are available to the grantee. New AFI projects have a single, 5-year budget period. Due to AFI Act requirements, AFI grants are fully funded at award and do not have 12-month budget periods like many other ACF grant programs. **NOTE:** AFI grant award funds

expire and are no longer available for draw down on the fifth anniversary of the award date, even if the grantee is granted approval for a no cost extension of the project period.

Business Capitalization – As discussed under *Program Requirements, Withdrawals for Qualified Expenses (Asset Purchases)*, business capitalization is defined as amounts paid from an IDA directly to a business capitalization account established in a federally insured financial institution (or in a state insured financial institution if no federally insured financial institution is available) and restricted to use solely for qualified business capitalization expenses. Qualified business capitalization expenses are qualified expenditures (including capital, plant equipment, working capital, and inventory expenses) for the capitalization of a qualified business pursuant to a qualified plan (defined below). The business capitalization account is separate and distinct from the participant's IDA. Business capitalization is a qualified expense, also known as an allowable asset purchase, under Section 404 of the AFI Act.

Documentation of Non-federal Cash Commitment(s) – One or more documents that detail the non-federal cash commitment(s) for the proposed AFI project from the entity responsible for the committed funds.

Eligible Educational Institution – Per Section 404(8)(A)(ii) of the AFI Act, either an institution of higher education described in section 101 or 102 of the Higher Education Act of 1965 (<http://www2.ed.gov/policy/highered/leg/hea98/sec101.html>) or a post-secondary vocational education school that is an area vocational education school as defined in the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4)).

Emergency Withdrawals – As discussed under *Program Requirements, Withdrawals for Emergencies*, Section 404(3) of the AFI Act defines "emergency withdrawal" as a withdrawal by an eligible individual that:

- (A) is a withdrawal of only those funds, or a portion of those funds, deposited by the individual in the individual development account of the individual;
- (B) is permitted by a qualified entity on a case-by-case basis; and
- (C) is made for:
 - (i) expenses for medical care or necessary to obtain medical care, for the individual or a spouse or dependent of the individual described in paragraph (8)(D);
 - (ii) payments necessary to prevent the eviction of the individual from the residence of the individual, or foreclosure on the mortgage for the principal residence of the individual, as defined in paragraph (8)(B); or
 - (iii) payments necessary to enable the individual to meet necessary living expenses following loss of employment.

First-Home Purchase – As discussed under *Program Requirements, Withdrawals for Qualified Expenses (Asset Purchases)*, first-home purchase is defined as qualified acquisition costs with respect to a principal residence for a qualified first-time homebuyer, if paid from the IDA directly to the persons to whom the amounts are due. Principal residence is a main residence for which the costs of acquiring, constructing, or reconstructing a residence do not exceed 120 percent of the average area purchase price applicable to such residence. Qualified first-time homebuyer means an individual participating in the project (and, if married, the individual's spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date on which a binding contract to acquire, construct, or reconstruct the principal residence is entered into. First-home purchase is a qualified expense, also known as an allowable asset purchase, under Section 404 of the AFI Act.

Post-Secondary Educational Expenses – As discussed under *Program Requirements, Withdrawals for Qualified Expenses (Asset Purchases)*, post-secondary educational expenses—specifically tuition and fees required for the enrollment or attendance of a student at an eligible educational institution and fees, books, supplies, and

equipment required for courses of instruction at an eligible educational institution—paid from an IDA directly to an eligible educational institution. Post-secondary educational expenses are a qualified expense, also known as an allowable asset purchase, under Section 404 of the AFI Act.

Poverty Guidelines – A simplified version of the federal poverty thresholds used for administrative purposes—for instance, determining financial eligibility for certain federal programs. They are issued each year in the Federal Register by HHS and posted online at <http://aspe.hhs.gov/poverty/index.cfm>. The poverty guidelines vary for family units of different sizes, and there are specific poverty guidelines for Alaska and Hawaii.

Project Partner – Any individual, organization, or other entity involved in the implementation of an AFI project other than the official applicant/grantee, excluding project participants. Typical project partners include:

- one or more financial institutions that hold the Reserve Fund, participant IDAs, and/or business capitalization accounts for the AFI project;
- a financial institution, a microenterprise development organization, or a non-profit loan fund that approves participant business plans for purposes of the business capitalization asset purchase;
- organizations that assist with recruiting participants for the AFI project; and
- organizations that provide complementary supportive services to project participants, such as down-payment assistance programs.

Some grantees work with several project partners to implement the AFI project in a large geographic area, with the partners operating in different sites. NOTE: Grantees are responsible for the implementation and oversight of their AFI project. AFI grantees working with one or more project partners must actively monitor the partner(s) and ensure compliance with AFI program requirements and HHS Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards.

Qualified Expenses – As defined under Section 404 of the AFI Act, qualified expenses or allowable asset purchases include the following, Post-Secondary Education, First-Home Purchase or Business Capitalization.

Qualified Plan – A business plan that is approved by a financial institution, a microenterprise development organization, or a non-profit loan fund having demonstrated fiduciary integrity. The plan includes a description of services or goods to be sold, a marketing plan, and projected financial statements that may require the eligible individual to obtain the assistance of an experienced entrepreneurial adviser. Required for Business Capitalization withdrawals.

Savings Plan Agreement – A written set of rules and responsibilities committed to by the AFI grantee and project participants. Grantees develop the savings plan agreement as part of their project policies and procedures. Elements of the agreement must adhere to the requirements of the AFI statute and may include the planned qualified expense (asset purchase), amount of the savings goal or maximum savings allowed, match rate, schedule of matching contributions and interest allocation, conditions for termination, qualified and emergency withdrawal procedures and limitations, beneficiary in the event of a participant's demise, financial education plan, asset-specific education plan, and provisions for amendments to the agreement.

Third-party Agreement – Written and signed agreements between the applicant/grantee and a third-party, such as project partner, detailing roles and responsibilities of the parties to the agreement and the period of the agreement. Such agreements must be signed by persons with the authority to make commitments on behalf of the entities involved. A Memorandum of Understanding is an example of a third-party agreement. General letters of support are not considered to be third-party agreements.

Tribal Government – Per Section 404(11) of the AFI Act, the term "tribal government" means a tribal organization, as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b) or a Native Hawaiian organization, as defined in section 9212 of the Native Hawaiian Education Act (20 U.S.C. 7912). As such:

- Tribal organization is the recognized governing body of any Indian tribe; any legally established organization of Indians which is controlled, sanctioned, or chartered by such governing body or which is democratically elected by the adult members of the Indian community to be served by such organization and which includes the maximum participation of Indians in all phases of its activities: Provided, that in any case where a contract is let or grant made to an organization to perform services benefiting more than one Indian tribe, the approval of each such Indian tribe shall be a prerequisite to the letting or making of such contract or grant. See 25 U.S.C. 450b.
- Native Hawaiian organization is a private non-profit organization that: (A) serves the interests of Native Hawaiians; (B) has Native Hawaiians in substantive and policymaking positions within the organizations; and (C) is recognized by the Governor of Hawaii for the purpose of planning, conducting, or administering programs (or portions of programs) for the benefit of Native Hawaiians. See 20 U.S.C. 7912.

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