Strong Homes and Businesses in Latino Communities

March 23, 2016

Trevor: Hi. Hello everybody and welcome to today's webinar, entitled Strong Homes and Businesses in Latino Communities, Building Capital Through AFI Funding. My name is Trevor Hoffberger and I work at the AFI Resource Center. Also, on the line are Storm Taliaferrow and Holly Frindell from NALCAB and before I turn it over to them for some opening remarks, I'd like to cover a few logistical items regarding this particular webinar. If you need any assistance accessing any of the materials, feel free to contact the AFI Resource Center at info@IDAresources.org or call the help desk at 1-866-778-6037. This webinar is being recorded and will be available on our website, along with the presentation, following the webinar. All participants have been muted to ensure sound quality so if you have any questions before or during the Q&A section, feel free to type them in to the Q&A panel on the right-hand side. Type in your question and click "Send". To request the copy of the slides you can contact the AFI Resource Center at the email address and phone number above that I've previously read. Right now, I like to turn it over to Holly Frindell who will speak a little bit more about NALCAB goals, programs, and priorities.

Holly: Great, thank you Trevor and thank you to everybody who's on the call today. To being with, as Trevor said, I'm just going to give a brief introduction to NALCAB. NALCAB is a non-profit association that represents and serves a geographically and ethnically diverse group of over 100 non-profit community development and asset-building organizations. Many of whom are on the call today. Our members are anchor institutions in our nation's Latino communities in 35 states and DC. We are headquartered in San Antonio, Texas and we also maintain and offices and staff in Washington, DC. Next slide please.

Okay. A little bit about NALCAB's primary programs and goals. NALCAB's primary goals are meant to increase the flow of capital into communities and strengthen the capacity of communities to use that capital effectively. NALCAB does this by implementing responsible, market-based and culturally-relevant strategies to strengthen underserved communities and build Latino family economic mobility through three major program areas. In the area of equitable neighborhood development, NALCAB supports the preservation of affordability and culture in our members' neighborhood. Catalyzes development of quality affordable housing and invests to stabilize distressed communities. In the area of financial well-being and economic integration, NALCAB supports culturally relevant services to advance financial capability, facilities the development and dissemination of safe and affordable financial products and services for Latino families such as the IDA program, and integrates financial capability into policy and programs that relate to economic integration. Last but not the least, NALCAB's investment small business by supporting culturally relevant small business development services through grants, TA, and peer connections, facilitates the expansion of business lending though the development of consortia and through sub-grants, and catalyzes place-based to economic development projects such as business incubation, Mercado's and commercial quarters. Next slide please.

Across all of our programs NALCAB accomplishes this work in four different ways. The first is in building organizational capacity for our member organizations through grant-making, technical assistance, and member collaboration. Building leadership and community-based expertise through culturally-relevant trainings which take the form of our training institute coming up in May 23rd through 26th in Dallas, Texas and webinars such as the one we're hosting today. NALCAB also has a Colegio Fellowship through which we train next generation Latino leaders to home practical, personal and professional skills to help fill the leadership gap in our field. We also shape policy by engaging our members conducting research and influencing policy makers and institutions—a line of business we expect will only grow as we have opened our office in DC this year, and also through investing capital through lending and equity investment. So I'm now going to turn it back over to Trevor who you heard at the beginning. Trevor Hoffberger is an AFI technical assistance provider and through that position he provides guidance on the application process and navigating the Funding Opportunity Announcement. Trevor's in with the AFI Resource Center since October 2015 and also performs outreach and analysis for the resource center. Prior to his role with the resource center Trevor has experience working with the wide range of non-profit schools and government industries.

Trevor: Awesome, thank you so much Holly and we will all join back on the call during the Q&A section and again, you guys may feel free to hop in at any time to chime in on any particular subject. So I'm going to start off by just talking about the basic behind the program and let's start here.

Assets for Independence or AFI as you'll hear me refer to it, is a discretionary grant program administered by the Office of Community Services in the Administration for Children and Families which is the part of the US Department of Health and Human Services. ACF promotes the economic and social well-being of families, children, individuals, and communities through program such as Head Start, TANF, and CSBG.

AFI was created by Congress in 1998 to demonstrate and support an assets-based approach for increasing the economic self-sufficiency of low-income individuals and families. Asset building as many of you all are aware is an anti-poverty approach that supports the acquisition of assets like get increase opportunities, build wealth, and increase economic stability for low income families. These assets can be tangible such as the home or intangible such as post-secondary education.

AFI funds projects that provide Individual Development Accounts or IDAs as you'll hear me refer to it and related services to low-income people. IDAs are matched savings accounts with the specific goal of purchasing an asset. So AFI IDAs can be used to purchase one of three allowable assets: to purchase a first home, to capitalize a business, or to fund post-secondary education or training. And we will cover the basics of all three would go a little bit more in depth on the second item you see there –capitalizing a business, and the bit on first home as well.

Which entities are eligible for AFI grant? AFI program is authorized to award AFI grants to the following entities: non-profit entities with 501(c)(3) status; state or local government agencies or tribal governments, applying jointly with the non-profit with 501(c)(3) status; financial institutions that are federally certified as either a Low-Income Credit Union or a Community Development Financial Institution that demonstrate a collaborative relationship with a local community-based organization whose activities are designed to address poverty; and finally, 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.

So as I said, AFI is a discretionary grant program. Grants are awarded on a competitive basis and there is typically more than one competition per fiscal year. The program was implemented by grantees, meaning participants have no direct contact with the government. Organizations can have more than one AFI grant at a time. In fiscal year 2014, approximately $10 million was awarded as grants with 44 grants being made. The maximum award is $1 million and the minimum award is $10,000. Grants do have a 5 year grant period and a full funding is available to the grantee upon award.

Now, I'll talk a little bit about kind of the ins and outs of how AFI works. I'll start that by taking a quick look at how an AFI IDA works from the perspective of the participant going through your program so let's take Kim for example. Kim would like to purchase her first home. An AFI grantee in her community determines that Kim is eligible and Kim opens her IDA so the AFI grantee matches Kim's own personal savings at a rate $2 for every $1 that she saved. And this isn't on the slide but let's say that a local home ownership program through which Kim can purchase her home with $6,000 for down payment and closing cost. So for three years, Kim saves $55 per month of her earned income, working towards a goal of $2,000 in her IDA and during this time she receives financial education and home ownership training from the AFI grantee and its partners. In the end Kim saves $2,000 and purchases her home using her savings plus $4,000 from the AFI grantee from that two to one match grant. That's $4,000 is split between $2,000 federal and $2,000 non-federal and I'm going to go into that last bullet point in a little bit more in detail on the next slide.

Here you can see a little bit more of a visual representation of how Kim's scenario works. At the end of three years Kim has saved her own $2,000 which can be matched with $2,000 dollars of federal AFI funds and $2,000 of non-federal matching funds. Matched saving expanded Kim's buying power and she used the $6,000 to purchase her home.

A little bit more on how the IDA works. Federally-supported IDAs are not counted as an asset for federal aid programs so it doesn't impact eligibility for these programs. Participants can withdraw from the program at any time and taking their personal savings with them. Only interest earned on participant's personal savings is potentially taxable. And finally, these IDAs are set up as custodial accounts at federally-insured financial institutions.

Who can participate in an AFI project? Grantees are required to determine whether perspective participants meet the federal eligibility requirement for participation in the AFI projects prior to enrollment in the project. Section 408 of the AFI Act, limits eligibility for participation and AFI funded project as follows. Number one, an individual who is a member of a household that is eligible for assistance under their state's Temporary Assistance for Needy Families or TANF program. Or second, an individual who is a member of a household that meets both of the following requirements. First, is an income test that says, adjusted gross income of the households is equal to or less than 200% of the federal poverty guidelines or the Earned Income Tax Credit limits and the net worth test, meaning that net worth of the household as of the end of the calendar year preceding that determination of eligibility does not exceed $10,000, that excludes the value of the primary residence and one vehicle. You can choose either of those two eligibility requirement that they would have to meet them.

Now, let's take a look at how AFI IDAs work from their perspective of the grantee. In three broad categories, project start-up, behind the scenes, and engaging and supporting savers. It's not an exhausted list of the steps that will be necessary but some of steps that we wanted to convey. Also note that some of these items, those in bold are AFI program requirements or do have requirement directly impacted them. So if you see those bold items, that is why.

So for the project start-up, grantees will need to activate partners with one or more federally-insured financial institutions that will work with the applicants to establish and maintain project reserve fund, the participant IDAs, the business capitalization account as well as other project partners. We'll go more in-depth into how partner programs work later on in the presentation. You would also need to establish a project reserve fund, deposit non-federal cash contributions and draw down the federal AFI funds in to your reserve fund. You would need to develop and train staff on program policies and procedures. Develop program materials and marketing pieces to make sure you are recruiting participants and getting the word out there. Set up data management systems to be use by the applicant and its partners.

To engage and support savers, you would also need to take a number of steps. First, performing outreach to the target population and recruit eligible individuals. You need to support participants including determining their eligibility and ability to save earned income for allowable asset purchases. Establish the savings plan agreement with participants and work with them to implement those plans including opening those IDAs. So working closely with these participants and savers and also, you need to support participant's saving progress throughout the time of the grant.

Continuing on to the next slide; other ways to engage and support savers are the periodically match participant savings but not less than every three months grantees must deposit the match contributions into the participants' IDAs or a parallel account maintained by the grantee. If you're doing a business capitalization IDA, you would need to develop systems to have qualified entities review and approve participant business plans. You need to assist participants in obtaining skills and information necessary to achieve economic self-sufficiency. Provide other supportive services such as tax preparation assistance, offer assistance or offer activities for retaining participants in the projects so they can make that asset purchase in the end, such as supporting participants who have difficulty making savings deposits or otherwise provided in the savings plan agreement. You would need approve and process qualified emergency withdrawals and approve and process those asset purchases and celebrate those successes in the end. I should mention that many of these tasks around supporting savers can be done by partners as well so I know that was a long list and it wasn't exhaust it but partners can take some of those responsibilities, especially the recruitment and providing supportive services.

Then behind the scenes activities are ones the participant don't see but that keep your project running. These activities run over the full course of the grant such as in sharing the timely completion of submission of required reports, conducting periodic internal reviews concerning the project implementations, staffing, participants' successes and other issues to be addressed to insure full expenditure of the AFI project funds and finally, to perform close-up procedures at the end of the project.

I know that many people joining our webinar today do have an interest in running those small business IDAs and the following two slides will detail some specific strategies for these services. For example, your organization could provide free business technical assistance for individuals who have completed their savings in their IDAs so once they've made that business capitalization, provide some technical assistance services to them. You can link those IDA funds to completion of at least 10 hours of business counseling and a business plan following the completion of 16 hours of economic literacy training so these certain incentives in order to pull up those funds. And also, you could base qualification for a microenterprise loans on completion of financial education in six months of deposits in an IDA. A few more strategies including instituting a loan review process that features more favorable consideration of the account-holders financial institution when there is stability demonstrated by IDA participant. It could enhance microcredit loan terms such as interest rates based on IDA participation such as regular saving for a minimum of six months in the IDA. Pre-qualifying IDA savers for a microloan up to that saved amount, or reducing interest on microloans for account holders based on the amount saved in the IDAs. These are all possible strategies that someone operating a business IDA could undertake. And obviously, these strategies will differ based on your IDA. Some grantees offer multiple IDA asset purchase and these like, we'll going to be a little bit later but you are not confined to one type of asset purchase.

So I like to give you a better picture of varying grant amount for different organization. Before organizations I've highlighted here focus on microenterprise IDAs but they might also offer – as I said, home buyer or post-secondary education IDAs. You might also notice that the final column reads most recent grant amount. As some of these organizations have receive multiple AFI grants over the years. These amounts do range from $50,000 to $625,000 but keep in mind this isn't even the full range possible AFI grants which is $10,000 to $1,000,000 as I mentioned earlier. It's also a good opportunity for me to mention that we often encourage organizations to begin with the small, smaller grant amount. Especially if this is the first time running an IDA program to get that foundation and piece and then build up to a larger grant amount. You can also see a full list of current AFI grantees on our website.

Now, I'd like to shift gears a bit and share some other factors to consider when determining whether to apply for AFI. So I'll talk about that application process determining your own fit for the program and if you think it would be a good big idea.

The first requirement to look at is in regards to cost sharing so per sections 405, 406, 407 and 410 of the AFI grant for the AFI Act, grantees are required to finance their projects with the combination of the federal AFI grant and cash from one or more non-federal sources. The total project budget is the sum of the federal AFI grant and that non-federal cash contribution. Specifically, the federal AFI grant must comprise no more than 50% of the total project budget. For example, the grantee that received $300,000 in federal AFI grant funds must also provide at least $300,000 in cash with that project for a total project budget of $600,000 so it's coming from these two sources. Federal funds can be used to meet the AFI cash requirement only if those federal funds have specific statutory authority to be used to meet matching requirements of other federal programs. I want to make sure that you're following the proper legislation and regulations with those federal sources.

Applicants must have a firm commitment of cash support from non-federal sources at the time of application, if you want to make an application much stronger to have the systems in place. In-kind is not counted against the cost sharing requirement. So after considering some of those key requirements you'll likely want to think about your project budget and doing so, you might want to consider number of accounts that you want to be able offer, how many people you expect to serve and the match rate you want to offer which may be determined by your target population and know that that match rate is up to you. That can range from one to one to eight to one and some grantees vary the rates by each asset type. Another AFI program requirement described in the Funding Opportunity Announcement is the limitation on use as a fund so we'll take a look that now. Per section 407 of that AFI Act, grantees must expend at least 85% of their project funds. So remember this is both the federal AFI grant and their non-federal funds. That 85% to match participant's savings, then there remaining 15% has specific ways that it can be used. These are 2% for data collection, and other information for evaluation, five and half percent for non-administrative functions such as helping participants with economic literacy, budgeting and federal account credit counseling, seven and a half percent for administrative costs provided that the combined administrative and non-administrative expenditures do not exceed 13% of the AFI grant. I recognize that I am throwing a lot of numbers at you right now so feel free to type something up in the QA box. If it comes up then we can always comeback to this slide later or I can address a specific question as it come up.

The next key requirement is about grantees matching participants earned income, IDA deposits with their project funds. When they're developing the project, grantees will set the match rate that their project will offer and it can be between a one to one match on participant's savings up to eight to one match on participant's saving, so in other words, you know, if someone is going to save a $1,000 and you match them with a $1,000, that's one to one. If someone is going to save $500 and you're going to match them $4,000, that's eight to one match. In terms of getting to them setting the match rate, keep in mind that no more than $2,000 from one AFI grant may be provided to one individual and no more than $4,000 to one household but if you think about it that's just the AFI grant money. Remember, you're also carrying that non-federal cash contribution so effectively that comes to be a limit of $4,000 per individual and $8,000 per household. On top of that, the household issue would come up if you have multiple people in the same household who each have their own IDAs. In terms of matching participants' savings, there is a requirement that not less than once every three months, grantees must deposit the matching funds that participants have earned into their IDA or into parallel account maintained by the grantee and your project reserve funds which we'll about in a minute--may count as this parallel account.

So as said, I was going to go a little bit more into partners and then funders and how all of that works. Now that we've giving you some parameters to think about, how much you'll be seeking, let's look at some of those likely sources. To get the search going, the first question I would ask is aside from the IDA account holders themselves, who else shares the goals of your asset building program? On the broadest level, who shares the goal financially empowering low-income people and then specifically, who shares the goal of getting low-income people into homes, into businesses, into education? Really, what I'm asking is who benefits from your success? So the people in groups and this could apply to, can be in the public or the private sector. On the private sector's side, lenders definitely benefit from when people take out loans or new business ventures or new mortgage loans because they're going to make money off that and then education and training institutions benefit from their being more demand from students so I've asked you to think about how you can ask them to support the success of the AFI project that will in turn benefit their success. On the public sector's side, there's local government and the community develop world. There are developers that are for example, working in public financing to develop new housing projects and may have set-aside for low-income home buyers and maybe even though they have that affordable housing prices on these units, they may still have trouble finding home buyers who are qualified to get a mortgage so if they partner with you and support your IDA project then that's helping them build a pipeline of eligible and ready buyers that they know those affordable housing units will be taken off their hand at the end of that project.

The next question I would ask is who is already funding this type of work and what existing sources of funding can you leverage? Literally, who is already providing assistance to low-income people to invest in these goals? Is there a department in your local or county government that is using CDGB funds to provide down payment assistance to low-income home buyers. If that's the case then you might want to have a conversation with them about supporting your AFI program with those dollars because that way you can double the impact of their CDGB dollars or having by supporting their AFI project because they're also leveraging the federal AFI fund. Another very direct example, the scholarships that are being offered to low-income students, these funds are already being use for the same purposes as an AFI IDA, in most part, so would the scholarship provider want to partner with you to double their scholarship funds available. Paring their funding with financial education and savings can be appealing too. We've seen it both – we've seen that both with educational institutions committing scholarship funds to AFI projects and also stand-alone college access programs using AFI to double their available scholarship funds.

These slide shows the sources of non-federal funds that are most common among current AFI grantees and it pretty much stays the same year after year. Financial institutions and their foundations are still at the top in terms of being the most common sources of funding, followed by the state and local tribal governments and then United Way and other foundations. Those are just the most common cases. Well many AFI grantees used these sources, they vary by locations so I would like to emphasize a few sources from this list. Primarily in that right-hand column, on locally based corporation and employers, places of worship and larger religious charities and local business association or industry sectors. I'll leave this slide up a little bit longer so you can get an idea of where people are getting that funding from.

Great, so now that you know about the requirements of the AFI program, you can examine the fit with your organization and target population. So for your organization, do you have experience in administering AFI projects or similar programs helping low-income people pursue their goals of home ownership, education or business development, a lot of times programs that have some experience with IDAs are stronger fit for an AFI grant but not always. Do you have capacity to implement the project including partners so this is having enough staff, having those partners in place? Do you have resources available for this project? This refers not just to the ability to raise the required non-federal cash contribution but also funds to operate the program. It often helps to layer an AFI IDA project on top of an existing asset purchase programming. And finally, do you have sufficient accounting and financial record systems? Those are crucial for running an AFI program as well. For your service and target population, you know the questions I would ask are – is there a good number that would likely be eligible and show interest in the allowable assets purchases? You need to have that target population in your area. Also, what is the viability of the proposed project with regards to the asset purchases included in the design? Does this include things like the cost of home ownership and the availability of post-secondary education programs?

You've may have heard me a few times refer to this Funding Opportunity Announcement or the FOA. It is available on the link on your screen and also on our website, www.IDAresources.acf.hhs.gov. In early April 2015, OCS released the new FOA for the Assets for Independence program. The purpose of the FOA is to explain the activities that programs grantees are expected to deliver and the criteria by which applicants for funding will be reviewed. Anyone who is interested in applying for the AFI should download the FOA from the link shown here and read it thoroughly. The next application due date is May 13, 2016 and the FOA includes due dates in October 16 and April '17.

I am going to put up a poll question right now for the people on the line. The question says how likely are you to apply for AFI in the next two years? So I kept that kind of broad question just to get an idea of the people here and over the next two years because I know it might take a few months or a year to get the pieces in place to apply and answer the poll question here. Awesome, thank you guys, looks like we had a mix of people who are likely to apply and still unsure and I can appreciate that especially if you are learning about the program for the first time.

So in terms of next steps, if AFI does feel like a good fit for you—as many of you just mentioned in that poll, for both the organization and their community, here are some next steps to make it a reality. First, share the information about AFI with the agency leadership, partners, and staff. Second, contact the AFI Resource Center for a copy of the AFI Application Kit and that would help you join the mailing list and third, attend other Prospective Grantee Webinars. The first Webinar that I have listed there is the introduction to the FOA. The Webinar will introduce that 2015 Funding Opportunity Announcement that I've mentioned highlighting key differences from past FOAs and this is the important things to keep in mind as you move forward. It'll be helpful for both first time and returning applicants by the way so kind of a broad-based of people that would benefit from that. The second one I have listed there is for developing the resources and partners. So a common challenge for people who are applying for AFI is to get those resources and partners in place and this Webinar will offer considerations for developing those partnerships for financial and other types of support. We'll also review AFI's non-federal cash requirements.

The AFI Resource Center is the access point for AFI program technical assistance so the information and resources you have here, I would definitely follow. You can see our website idaresources.acf.hhs.gov. It includes information for potential applicants and it has a grantee locator which is really great if you're trying to determine if there are other programs in your area that you could talk to about best practices and so on and just to get a better idea of what other programs are doing. Also, the helpdesk as I've mentioned earlier, the phone number and email address are here and we can also send that out later if you do have questions.

The last bit I want to talk about is building financial capability. I want to let you know about a new resource from Office of Community Service as I said "Building Financial Capability: a Planning Guide for Integrated Services." It's an interactive guide to help organizations develop a comprehensive plan for integrating financial capability services into their existing programs. For example, on housing or job training programs. Financial capability is broader than IDA's and savings and it includes things like financial education, credit building and access to safe financial services. Adding financial capability services can help enhance the outcomes of an organization's core programs. So this guide was designed to be used by program managers and directors at any organization, public or private, committed to serving low-income communities. It's organized around 13 practical tools that walk organizations step by step through the integration planning process including understanding clients' financial issues and identifying financial capabilities services to meet their needs, determining how to provide these services, refer a partner, do it yourself, creating successful partnerships or referrals systems of other service providers if appropriate and making the case for integration to internal and external stakeholders. It's a really great framework to think about planning your IDA programs, especially if you're relatively new to asset-building and financial empowerment services in general. Lots of the exercises, especially the ones without understanding clients' financial issues can be really helpful and in designing an AFI project that would be responsive to their needs. You can even mention in you AFI application that you use the tools in the guide to show how you really thought through serving your target population. These are just some of the tools that I just mentioned and this is the screenshot of what the guide looks like and the link to access to guide. You can follow that link straight through the Webinar.

Awesome, so we'll now start the Q and A section of the Webinar. I am going to go on mute as people feel free to enter your question to that Q and A part on the right side of your screen and I will rejoin the call in a few moments. Thank you.

Storm and Holly: Thank you so much Trevor. We actually have some questions here. So I'm going to start us out with one. So I'm wondering how formal does the agreement need to be with funding partners at the time of the application. For instance, you need to have all of the cash in hand or does an MOU need to be in place and if an MOU is in place, does it need to state the scheduled payments over a certain number of years and is there like a recommended number of years that you suggest. I'm trying to get a better understanding of the structure of these agreements.

Trevor: So certainly having the systems in place and ready would enhance your application. You definitely need to have some sort of written agreement that those payments would be made. In terms of scheduling those payments over a certain number of years, I can look into that, I'm not positively share about that fact but yes, you would need something in place that says we will, you know, provide funding for this organization for their AFI grant program.

Storm: Okay great, thank you. In terms of program design, do you find that there is a—the match can be up to eight times what the participant is saving—do you find that there's a typical match that the organizations that you work with or one that has been proven to be most effective that, you know, four to one match, you know, more effective than a one to one to one match? Do you have any information about that from a program design standpoint?

Trevor: That would be really interesting to look in to, you know, to break it down by different programs and their match requirements and see what's most effective. So I can't necessarily speak to that but I can say is that I see a lot of the one on one to four to one range and it really – as I said it kind of varies within a program even, so you might have an organization that offers a one to one match for first time home buyer IDAs but a three to one match for post-secondary education IDA.

Female Speaker: Okay. Thank you.

Trevor: Great. So I'm not seeing any other questions come through the chat box. If anything does come up any participants can feel free to contact Storm or Holly at NALCAB or the AFI Help Desk at info@idaresources.org and all of that information is on the slide. As I said this Webinar has been recorded and we will post that to the IDA resources website as soon as possible. Okay. Anything else from you guys, Storm and Holly?

Storm: No, that we'll, we just wanted to thank AFI and thank you guys for taking time out of your day to address us. We love providing these types of Webinars and information to our members so we're really grateful for your time today.

Male Speaker: Absolutely. Thank you guys so much too.