



***“TOOLS FOR SUCCESS” WEBINAR SERIES
FOR ASSETS FOR INDEPENDENCE
GRANTEES***

**The Road Less Traveled:
Innovative Solutions in Rural IDA Programs
March 28, 2012**

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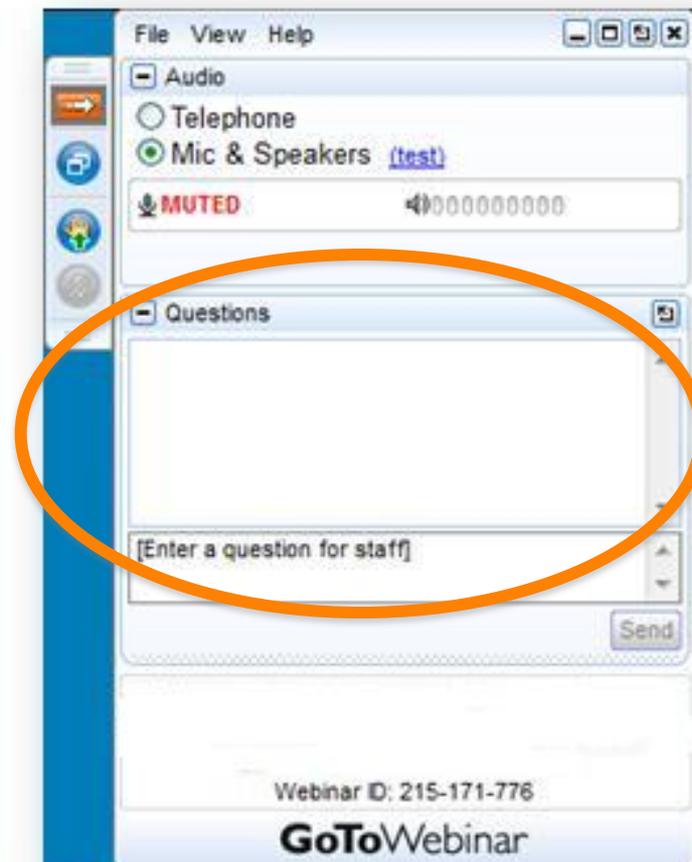
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Not an AFI grantee yet?

- Assets for Independence (AFI), which is administered through the Office of Community Services (OCS) at the U.S. Department of Health and Human Services, provides federal funding to community-based nonprofits and government agencies for Individual Development Accounts (IDAs).
- To learn more about applying, visit www.idaresources.org
- Upcoming Orientation Webinar:
AFI Program Overview and Grant Application Process
April 26, 2012. 2:00 PM - 3:30 PM Eastern
Register at www.idaresources.org

Your Moderator

- **Angela Duran**

Regional Consultant

AFI Resource Center



- The AFI Resource Center provides training and technical assistance to AFI grantees, their project partners, and other organizations that are providing asset building services across the nation.

Your Guest Speakers

- **Janet Topolsky**

Co-Director, Community Strategies Group
Aspen Institute



- The Aspen Institute Community Strategies Group helps community leaders connect with and motivate each other. It helps equip these leaders with the best ideas, tools and strategies to improve community and economic development, strengthen families, sustain natural resources, create locally controlled philanthropic assets, and build vital and just civic cultures.

Your Guest Speakers

- **Karen Smith**

Director of Outreach Services

Montana Credit Unions for Community
Development



- Montana Credit Unions for Community Development is a state-wide nonprofit organization working together with Montana's credit unions to improve the lives and financial independence of all Montanans.

Today We Will Talk About:

- Issues and challenges facing rural IDA programs
- Innovative delivery systems for IDAs in rural settings
- Leveraging technology to expand program outreach and deliver financial education
- Leveraging resources through strategic partnerships

IDA Programs: Some Rural X Factors

**The Road Less Traveled
Innovative Solutions in Rural IDA Programs
Wednesday, March 28, 2012**

**Janet Topolsky
Aspen Institute Community Strategies Group**

Objectives

1. Brief Review of IDAs
2. Typical Rural Challenges

1.

Brief Review of IDAs



What is an IDA?

The Basics

- Individual Development Accounts (IDA) are **dedicated savings accounts** in which low-income people save money that can only be used to acquire an “**asset.**”
- Accountholders **save monthly** and have their savings matched with funds assembled by an IDA Program.
- The **match funds** might be provided by federal, state or local government, foundations, individual donors, community businesses...etc.!
- The amount of the **match varies** from place to place, and is set by each IDA program based on its resources and approach.

What is an IDA?

The Allowable Assets



Home Ownership

- No surprise: Historically the most popular use of an IDA.
- About half of all account holders want to use their IDA to buy a home.

What is an IDA?

The Allowable Assets



Business

- About 1/3 of accountholders want to use their IDA for business capital.
- Microenterprise has particular relevance in rural communities

What is an IDA?

The Allowable Assets



Education

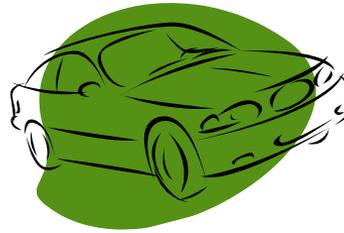
- Most of the rest of account-holders use their IDA to pursue education: college, trade schools or professional training.
- Some use their IDA funds to support their children's education.

What is an IDA?

Other Assets

- Though AFI funds typically cannot be used to match savings for these asset purchases, some IDA programs use other match funds to help rural account-holders save for:

- Automobile



- Home repair



- Retirement



Not Ancient History

The IDA Field

- IDA Concept: Brainchild of Michael Sherraden at Washington University in St. Louis in **early 1990s.**
- **1996:** Only 4 IDA programs in operation
- **1997:** Launch of the American Dream Demonstration
- **1998:** Launch of Assets for Independence Program
- **Now:** Hundreds of programs operating, serving thousands of accountholders

An IDA Program

Who are the key players?

- Account-holders
- Program Organizer/Administrator
- Match Providers
- Financial Institution(s)

Key Players: Roles

Account-holders

- Low-income, low-wealth families
Usually up to 200% of poverty
- Sets an “asset goal”
Home, education, business or “other”
- Participates in asset-focused financial education
- Saves towards goal
Regular deposits required
- Purchases the asset with savings (and match)

Key Players: Roles

Program Organizers / Administrators

- Usually a non-profit organization
- Recruits account-holders
- Secures and assembles the match
- Finds the financial institution partner
- Provides or arranges financial education and other supportive services for account-holders
- Ensures procedures are well organized and legal
- Monitors account-holder progress
- Authorizes the release of funds for purchase of assets
- Documents results

Key Players: Roles

Match Providers

- Match providers can include:
 - Assets for Independence (and other Federal Government \$\$)
 - State appropriations
 - Financial institutions
 - Foundations: Private, Community, Corporate, Family, *etc.!*
 - Businesses
 - Individuals
- Match providers determine:
 - Qualifications of account-holders they will match
 - Eligible asset uses for their match funds
 - Reporting requirements

Key Players: Roles

Financial Institutions

- Federally regulated banks and credit unions
- Hold and manage the deposits by accountholders
- May help with financial education and management information systems
- Release funds for asset purchase when the Program Administrator authorizes it
- May help provide financing for purchased assets

2.

Serving Rural Account-holders

Typical Challenges



First – a Few Rural Realities

Defining Rural

- No one definition of **Rural**
- More than 15 definitions of rural used *just* by USDA!
- For our purposes: Any population center from 50 to 50,000!
- But note: Different types of rural within and across regions
 - Density: Frontier to micropolitan
 - Economy: Declining to booming
 - Industry: Varying economic bases and job types
 - People: Diversity, class, education, skills, culture, attitude
 - Systems: Government, non-profit infrastructure, professional services, etc...

First – a Few Rural Realities

When It Comes to IDAs

- Rural practitioners and programs are a significant minority in the field.
- But they are an important constituency – given share of population, and higher poverty numbers.
- However, IDA rules are not always crafted with this constituency in mind.
- Also: Some rural areas are served by regional programs based in larger cities.

Typical Rural Challenges

Density and Distance

- **Low Density: Small numbers of people in an area**
 - Makes recruiting harder
 - Difficult to reach critical mass to support a whole program
 - *But easier to spread the word once it has caught on!*
- **Large Distances**
 - Tougher for account-holders to get to meetings or training –
 - ✓ Time
 - ✓ Cost
 - ✓ Vehicle?
 - The **internet answer** only works if accountholders have good broadband access, easy computer access – and know-how!

Typical Rural Challenges

Organizational Infrastructure

- **What local organization can organize and manage all the aspects of an IDA program? An IDA Program must:**
 - Find a critical mass of potential account-holders
 - Engage financial institution partner
 - Secure match
 - Provide financial education
 - Monitor and meet with participants
 - Track and report participant progress to funders
 - Raise money for program staffing and expenses.
 - All that while likely running other programs too!

- **Can partner for some of these things – but must arrange and maintain those partnership relationships!**

Typical Rural Challenges

Financial Institution Infrastructure

- Fewer financial institutions serving rural areas.
- Some are very conservative and risk-averse.
- IDAs don't look like anything they have done before.
- Many owned by far-away parent companies that set their rules and must be consulted.
- *But if they get it, they can be your best friend!*

Typical Rural Challenges

Match and Program Funding Sources

- Likely fewer Big-Pocket funders around.
 - Foundations
 - Businesses
 - Government dollars
- Many are tapped out for other community needs.
- IDAs don't look like anything they have done before.
- *But a successful local IDA story, once available, is VERY attractive to givers!*
- *And you can get creative about funding sources....*

Typical Rural Challenges

The Assets Don't Match the Need

- *Example:* Rural Account-Holders may need a reliable car before any of the allowable assets make sense.
 - Helps them land and maintain a job
 - Can't save without that!
 - Reduces their transportation time, making family life – and participating in an IDA program – easier.

- Many IDA match sources – and some states – will not allow car purchase.
 - If needed, advocate to change state regulations!
 - Find alternative match sources to add cars to your program.
 - VERY attractive for recruiting account-holders
 - Once they've got a car, they likely will come back for more!

Meeting Rural Challenges

Looking for Leverage

- Use technology when it works. Don't forget the USPS (and its competitors...)
- Partner with another organization nearby or somewhere in your state on the program pieces that make sense.
- Engage volunteers in the pieces that make sense.
- Engage local donors
 - Businesses
 - Churches
 - Special Drives
 - *USE Community Foundations*

Rural IDAs

Don't simply replicate!

Know the situation of your people
and your place.

Partner and Innovate as needed...



Lessons from Rural IDA Programs

Angela Duran
AFI Resource Center

Financial Institutions

Opportunities

- Easier to customize a product
- Easier to customize reporting

Challenges

- Working with multiple banks
 - Relationships
 - Agreements
- Makes tracking difficult – monthly vs. quarterly, paper vs. electronic

Assets

Opportunities

- Houses are affordable
- Closest college may be an affordable community college
- Culture supportive of small businesses

Challenges

- Limited housing stock
- Colleges may not be nearby
- Limited market for a small business

Marketing

Opportunities

- Marketing can be relatively cheap
- Best form of marketing is word of mouth – one degree of separation helps a lot
- Market penetration - over time, can serve significant percentage of the market, which makes real community impact more likely than in urban areas

Challenges

- Spreading marketing resources over multiple communities
- Reaching people in isolated areas

Distance

Opportunities

- Technology
 - Video Conferencing
 - Skype
- Non-traditional partners

Challenges

- Staff – have to cover multiple communities
- Lack of broadband
- Limited partners for training and counseling
- Transportation – no public options; high gas prices



The Case of Montana Credit Unions for Community Development

Karen Smith

Montana Credit Unions for
Community Development

Montana's Rural Landscape

- **145,545.8** square miles / Population **998,199**
- **6.8** persons per square mile
- **2.5** cows / **3** deer to every person in Montana
- **46** out of Montana's **56** counties are "**frontier counties**"
- **65%** Montana's population live in rural area
- **50%** Montana residents drive **5-30 miles** for services

MCUCD IDA Programs

- BSAFE
- Rural Montana Saves
- Montana Students Save
- Matched Education Savings Account (MESA)
- 1st Time Homebuyer



Montana IDAs: Cooperative Spirit

MCUCD:

Statewide Organization

- ◆ Manage and Coordinate Programs
- ◆ Capacity Building
- ◆ Fundraising

Credit Unions:

Not-for-Profit, Financial Cooperatives

- ◆ Face of the Program
- ◆ Direct Service
- ◆ 1-on-1 Counseling

Partner Organizations:

- ◆ Face of the Program
- ◆ Case Managers
- ◆ Asset Training
- ◆ Funders

Participants:

- ◆ Savers

Technology + Touch

- Online, Self-Study Financial Education
 - MoneySkills.org
 - GradReady
- Financial Counseling & Coaching
 - Credit Unions
 - Partners

Leveraging Resources

- Credit Unions
- Rural Employment Opportunities (REO)
- Student Assistance Foundation
- Colleges and Universities
- GEAR UP
- Community Organizations



Questions for the Speakers



Contact Information

For general questions about the AFI program, visit www.idaresources.org.

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