



AFI and Small Credit Unions: Helping Families Build Assets

What is AFI?

The Assets for Independence (AFI) program is administered by the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services.

The federal AFI program funds community-based projects that enable low-income people to become more economically self-sufficient.

Grantees of AFI operate Individual Development Account (IDA) programs, in which participants receive up to an 8-to-1 match on their savings for furthering their education, purchasing a home, or starting a business. The grantee also coordinates financial literacy training and provides support to savers as they work towards their goals.

AFI grantees need financial institution partners like credit unions to hold the IDAs, provide financial education, and perform other roles. Credit unions can themselves become AFI grantees or subgrantees within a network project, in order to tailor the project to their members' needs.

Benefits of partnering with AFI

- **Provide needed financial services**
IDA program participants are low-income (under 200% of the Federal Poverty Level, about \$46,000 for a family of 4) and often unbanked or underbanked.
- **Enhance your community presence**
Raise your profile in low-income neighborhoods and among area businesses, policymakers, and foundations by supporting an innovative asset building project.
- **Develop a pipeline of borrowers**
All IDA program participants are saving towards a major investment (home, business start-up, college) which will require additional financing. They may also be in the market for smaller loans like auto and consumer loans. And, they may become long-term members.

Credit Union Partner Spotlight: Coteau Valley Federal Credit Union

When Northeast South Dakota Community Action Program (NESDCAP) approached Coteau Valley FCU in Sisseton, South Dakota about working together to promote financial literacy, the small credit union was eager to find such a knowledgeable and competent partner. Its board saw lack of financial management skills among members as contributing to loan delinquency and frequent overdrafts.

David Gleason, CEO at Coteau Valley FCU, says that NESDCAP's financial literacy classes have given members a better awareness of how to sit down and manage their money. NESDCAP provides the trainings and materials, and Coteau Valley FCU provides dinner to help people fit the classes into their busy schedules.

Becoming a financial institution partner in NESDCAP's AFI project was the logical next step. According to Gleason, it's a way for the credit union to demonstrate that it's there to help members out whenever they can, and live up to their motto of "people helping people."

- **Reduce member loan delinquency**
Strong money management skills are key to members' making loan payments on time and in full. Financial education is a core component of all AFI projects.
- **Built-in risk management**
Each AFI grantee establishes a Project Reserve Account of up to \$2 million, to hold the project matching funds until participants graduate.

How to get started with AFI

...as a financial institution partner

- **Reach out to existing AFI projects in your area** by visiting www.IDAresources.org/Map, or contact the AFI Resource Center to find out about new applicants

Questions to ask an AFI project manager:

- Are you looking for a new/additional financial institution partner?
- How many IDA participants will you refer to our credit union?
- What are your expectations from a financial institution partner?

Questions an AFI project manager may ask you:

- Can you provide custodial savings accounts or sub-accounts for the IDAs?
- What other services can you offer IDA participants?
- Can you contribute funds to ensure the sustainability of our AFI project?
- **Develop an MOU** based on the template at www.IDAresources.org/FI_MOU

...as a subgrantee in a network project

- **Reach out to existing AFI network projects in your area** by visiting www.IDAresources.org/AFIgrantees (the descriptions will identify which ones are network projects)

Questions to ask an AFI network project manager:

- Are you looking for additional subgrantees?
- What expectations do you have of subgrantees?
- How much matching funds can subgrantees receive to enroll new participants?

Questions an AFI network project manager may ask you:

- Do you have the capacity to be a subgrantee?
- What other services can you offer IDA participants?
- Can you contribute funds to ensure the sustainability of our AFI project?
- **Develop an MOU** based on the template at www.IDAresources.org/Subgrantee_MOU

...as an AFI grantee

- **Visit the AFI Resource Center website** at www.IDAresources.org/Apply to request an Application Kit and sign up for a webinar about planning an AFI project. Staff at the AFI Resource Center are available to provide technical assistance, including helping identify potential sources of matching funds to support your project.

Questions to ask your board and staff:

- Do we have the capacity to run an AFI project, including raising the required non-federal match and providing case management to participants?

Roles for a credit union in an AFI project

	Act as financial institution partner to an AFI project	Be a subgrantee within an AFI network project	Operate your own AFI project
	Low touch	Medium-touch	High-touch
Roles & Responsibilities	<p>May include:</p> <ul style="list-style-type: none"> • Holding the custodial Individual Development Accounts (IDAs), where participants save their money to be matched • Holding the Project Reserve Fund, where the AFI project's matching funds are deposited • Providing financial support to the AFI project • Providing financial education training to program participants 	<p>In partnership with the lead grantee:</p> <ul style="list-style-type: none"> • Publicize the AFI project and present orientations • Screen and enroll participants • Provide (or find a partner to provide) financial education and the training to prepare participants to purchase their assets - homebuyer classes, business plan development, and/or college prep • Assist participants with opening the AFI IDAs and monitor their savings and withdrawals • Provide participants with case management and connect them to other asset building services like free tax preparation • Assist participants with asset purchase • Assist those who make emergency withdrawals or drop out of the project <ul style="list-style-type: none"> ➤ May or may not hold the Project Reserve Fund and IDAs 	<p>Subgrantee responsibilities at left, <i>plus</i>:</p> <ul style="list-style-type: none"> • Design the project and apply for AFI funding • Administer the federal AFI grant • Develop the required non-federal cash contribution • Manage the project finances • Report to OCS and other funders • Provide data for the AFI program evaluation • Hold the Project Reserve Fund and IDAs
Benefits	<ul style="list-style-type: none"> • Potential to attract new members and new loan customers 	<ul style="list-style-type: none"> • Greater potential to attract new members and new loan customers, through deeper relationships with IDA participants • Can be offered as a benefit to current members or to attract new members 	<ul style="list-style-type: none"> • Greater potential to attract new members and new loan customers, through deeper relationships with IDA participants • Can be offered as a benefit to current members or to attract new members • Can choose the target population for the project (your members or community)
Questions to Consider	<p><i>Is there an AFI project or applicant in your area that is looking for a financial institution partner?</i></p>	<p><i>Is there an AFI project in your area that is looking for new subgrantees?</i></p>	<p><i>Do you have the capacity to apply for AFI funding and run an independent project?</i></p>