



# Financial Education and Matched Savings for Student Retention

January 21, 2014



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

# CSRDE WELCOME

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# Assets, Access, and College Persistence



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# *The Evidence: Assets and Education*

	<b>Pre-College Educational Outcomes</b>	<b>College Access Outcomes</b>	<b>College Completion Outcomes</b>	<b>Post-College Financial Outcomes</b>
Student loans	N / A	+ / -	-	-
Savings and wealth	+ / -	+	+	+

\* *Pre-college*: Math achievement, GPA, HS graduation

*College access*: College enrollment

*College completion*: College graduation, years of schooling

*Post-college financial*: Marriage, savings, net worth, home ownership

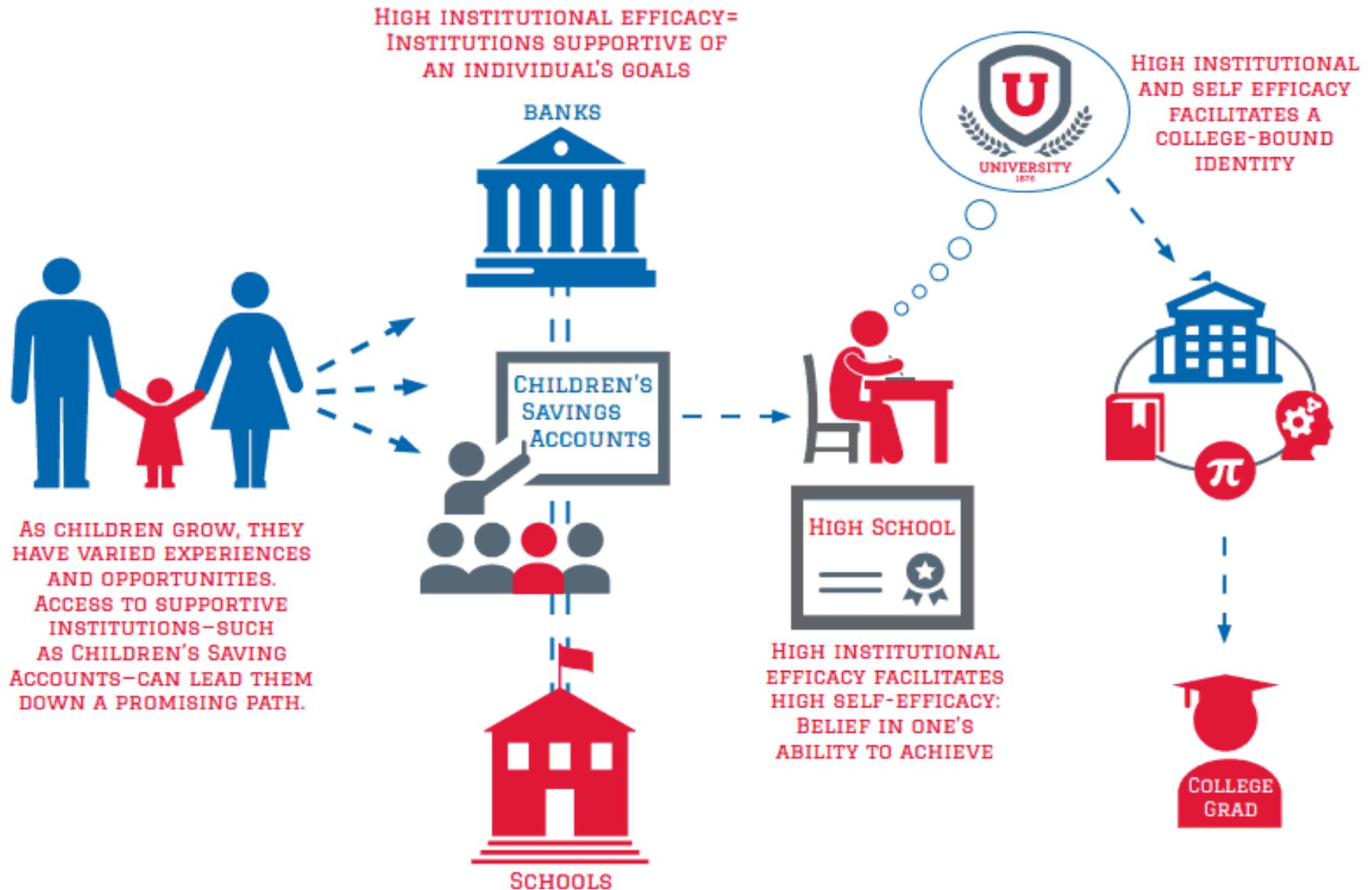
# *Savings and college access*

- Forty-five percent of low or moderate-income students with no account, 49% of students with only basic savings not designated for college, 71% with school savings <\$1, 65% with school savings from \$1 to \$499, and 72% of students with school savings of \$500+ enroll in college.
- Opening an account turns college into an important, not an impossible, goal, with a clear strategy for how to overcome cost barriers.

# *Savings and Persistence*

- Five percent of students with no account, eight percent with only basic savings, 13% who have school savings but less than \$1 saved, 25% who have school savings from \$1 to \$499, and 33% of students who have school savings of \$500+ graduate from college.
- Seventy-four percent of students with college savings are on course, compared to 41% of students with no savings, a gap of 33%.

# THE ROLE OF INSTITUTIONAL FACILITATION IN ACADEMIC SUCCESS



# *Earlier is better, but assets can always make a difference*

- As a transformative institution, Children's Savings Accounts (CSAs) can have greater effects if we take advantage of the power of time—to grow balances and to build expectations.
- Research suggests that asset holding may be significantly related to educational outcomes at nearly any level, however, particularly for low-income students.

# *Not a fortune, but a world of difference*

	<b>Enrollment</b>	<b>Graduation</b>
No college savings	45%	5%
\$1 to \$499 saved	65%	25%
\$500 or more saved	72%	33%

# *How AFI Supports Educational Outcomes*

- To leverage the power of assets on a shorter trajectory, programs may consider:
  - Partnering with educational institutions, scholarship programs, and college readiness programs, for match, training, and outreach
  - Incorporating academic preparation and completion counseling into IDA programs
  - Using financial education to prepare students to be smart financial aid ‘consumers’

# Resources

Biannual Report: *Building Expectations, Delivering Results* can be found at

<http://save4ed.com/>

See our new report on college debt at

<http://save2limitdebt.com/>

# Questions?

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[www.aedi.ku.edu](http://www.aedi.ku.edu)

# **MATCHED SAVINGS IN ACTION: THE ASSETS FOR INDEPENDENCE (AFI) PROGRAM**

Emily Appel-Newby

Assets for Independence (AFI) Resource Center

## Assets for Independence

Provides 5-year grants to organizations that enable accountholders to ...

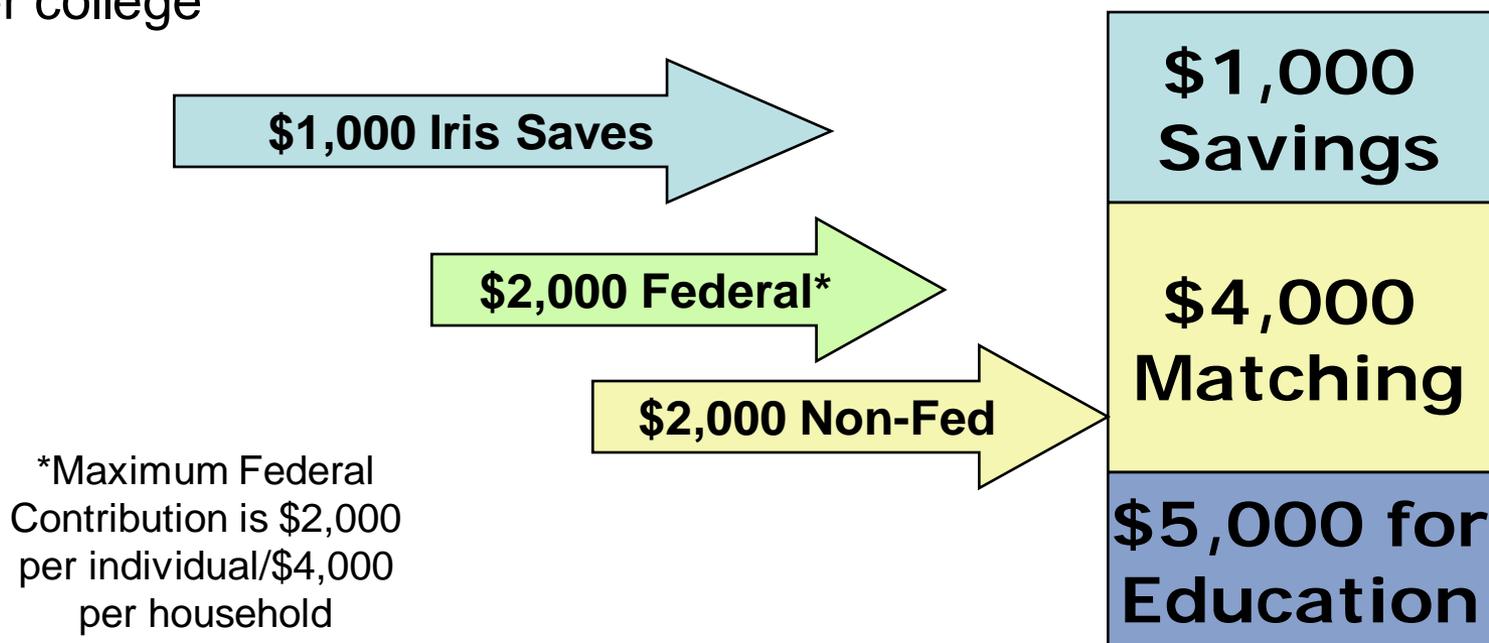
- **Learn** about financial and consumer issues
- **Save** in special matched savings accounts

In order to ...

- Become more **self-sufficient** and plan for the future
- **Invest** in assets:
  - Home
  - Small business
  - College education or job training

## Meet IDA Saver “Iris”

- Iris opens an IDA to help pay for college
- Match rate of \$4 for every \$1 saved in her IDA
- Iris saves \$1,000 -- \$41.67/month over 2 years
- She takes courses in financial education from a local non-profit and works with financial aid counselors and academic advisors at her college



# Allowable Uses of IDA Funds

Asset	Postsecondary Education/Training
<p><i>Primary Guidelines</i></p>	<ul style="list-style-type: none"> <li>• IDA and match funds may be used for tuition and fees, books, supplies, and equipment required to attend or for courses at an eligible educational institution</li> <li>• ‘Eligible educational institution’ means either it is accredited by the Department of Education or verified as an eligible institution under the Perkins Vocational and Applied Technology Education Act</li> <li>• <i>IDA and match funds must be paid directly to the eligible educational institution</i></li> </ul>
<p><i>Practice</i></p>	<ul style="list-style-type: none"> <li>• Develop career and education plan</li> <li>• Books, supplies, equipment, such as computers, may be acquired from any eligible institution, not just the school of attendance</li> <li>• Often involves multiple matched withdrawals over time, up to the maximum set by the AFI project</li> <li>• For degree, certificate, or stand-alone courses</li> <li>• May not be used to pay back previous loans</li> </ul>

# Allowable Uses of IDA Funds

Asset	Small Business
<i>Primary Guidelines</i>	<ul style="list-style-type: none"> <li>• May use match funds for any business expense included in the approved business plan, such as capital, plant, equipment, working capital, and inventory</li> <li>• Must have business plan approved by financial institution, microenterprise development organization, or nonprofit loan fund having demonstrated fiduciary integrity and that includes description of services or goods to be sold, marketing plan, and projected financial statements</li> <li>• Business must be legal</li> <li>• <i>IDA and match funds must be paid into the business capitalization account or to vendors</i></li> </ul>
<i>Practice</i>	<ul style="list-style-type: none"> <li>• Often involves multiple matched withdrawals over time, up to the maximum set by the AFI project</li> <li>• May not be used to pay back previous loans</li> </ul>

# Allowable Uses of IDA Funds

Asset	Home Purchase
<p><i>Primary Guidelines</i></p>	<ul style="list-style-type: none"> <li>• IDA and match funds may be used for costs of acquiring, constructing, or reconstructing a residence, including reasonable settlement, financing, or other closing costs</li> <li>• Must be first home: no ownership interest by the participant for 3 years prior to contract for sale</li> <li>• Sale price may not exceed 120 percent of average area price</li> <li>• <i>IDA and match fund checks must be paid to the lender or others handling settlement process</i></li> </ul>
<p><i>Practice</i></p>	<ul style="list-style-type: none"> <li>• AFI project may require copy of sale contract or documentation from lender of the dollar amount needed for closing prior to closing</li> <li>• AFI project usually receives a copy of the settlement statement to document purchase price and distribution of funds</li> </ul>

# Participant Eligibility

TANF eligible

**OR**

EITC eligible or annual household income less than twice poverty (about \$44,700 for family of four)

**AND**

Net worth less than \$10,000, excluding value of a residence and one motor vehicle per household.

- Determined at the household level
- Administering agencies may have additional requirements
- Need earned income for savings deposits

## IDAs as Student Aid

- Can reduce student loan and/or work study burden
- Can help with the estimated family contribution
- Can fill a gap left if a school cannot provide the full Financial Aid Package needed
- For adult students, represents an alternative to scholarships
- Helps students who cannot access federal financial aid
- Helps students from groups traditionally reluctant to take out loans

## Benefits to the College

- Help schools meet mission of access by promoting access to education for lower-income students
- Promote positive recruitment and retention results
  - ✓ IDAs as an outreach tool to attract students
  - ✓ IDA funds make it financially possible to attend school
  - ✓ Planning process means students are prepared and committed
  - ✓ Training provides helpful life skills that contribute to student enrollment/retention success
- Financial fitness training can impact future employability (credit score)

## IDAs for Students

- Federally-supported IDAs are not counted as an asset for federal aid programs, so will not impact eligibility
- Participants can withdraw from the program at any time, taking their personal savings with them
- Only interest earned on participant's personal savings is potentially taxable
- Schools are encouraged to exclude IDA for state, local or school-funded assistance

## Bringing IDAs to your Students

- Eligible applicants:
  - 501(c)3s
  - State, local, or Tribal government entities
  - CDFIs or low-income designated credit unions
  - Multi-site networks of organizations
- Up to \$1,000,000 (average \$280,000)

# Considerations for starting an AFI project

- Does your organization provide services that involve some level of longer-term, ongoing one-on-one contact with students/residents?
- What office is best positioned to operate the AFI project, with support from partners?
  - Recruitment, case management, tracking deposits, fiscal and grant management, reporting
- Do you have a good number of students/residents that are likely to be eligible?
- What non-federal sources can you tap into?

# Current college & university AFI grantees

Grantee	State	Grant Period
Northern Arizona University	AZ	2012-2017, 2013-2018
University of Arizona	AZ	2012-2017, 2013-2018
Arizona State University	AZ	2012-2017, 2013-2018
California State University	CA	2011-2016
Delta State University	MS	2011-2016
Eastern Michigan University	MI	2013-2018
Inver Hills Community College	MN	2013-2018
Monroe Community College	NY	2013-2018
Southern University at Shreveport	LA	2009-2014

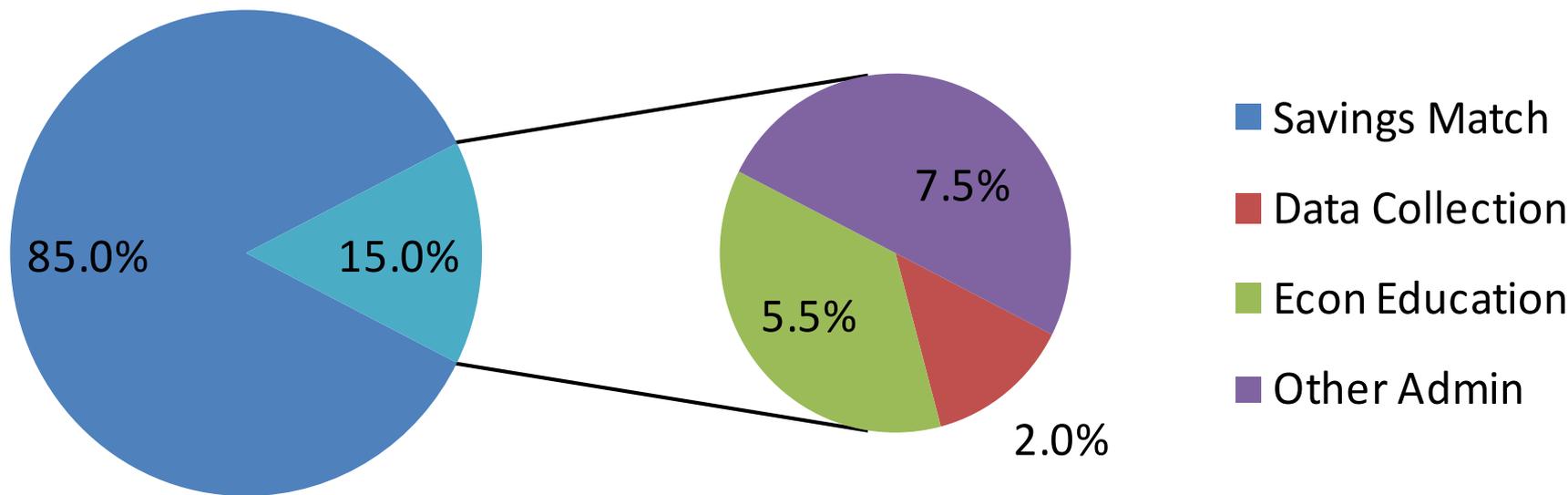
# Sources of Non-Federal Funds

- Financial institutions and their foundations
- State and local governments
- Tribal governments
- United Way
- Foundations (local, regional)
- State/Local tax credits
- Special needs funding opportunities (Mental Health, Youth Programs, Disability Programs, and other nonfederal funding streams that target specific populations)
- Locally-based corporations/employers
- Places of worship
- Individuals/online donations
- Sponsoring organization funds
- Federal Home Loan Banks
- Community Development Block Grants
- Native American Funds

Making the Business Case: [http://www.idaresources.org/IDA\\_Fundraising](http://www.idaresources.org/IDA_Fundraising)

## Uses of AFI Project Funds

- All AFI Project funds are held in a Project Reserve Fund.
- At least 85% set aside to match participant IDA savings
- A total of 15% can be spent on program operation costs.



# Arizona Earn to Learn Initiative



- University of Arizona, Arizona State University, Northern Arizona University
- Universities provide the non-federal funding
- <http://www.azearntolearn.org/>

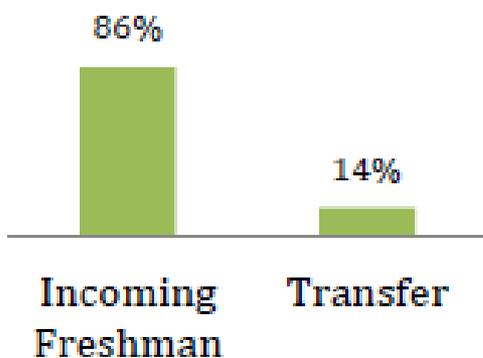
“It is estimated that for each federal dollar invested in IDAs, five dollars go to the national economy in the form of new businesses, additional earnings, new and rehabilitated homes, reduced welfare expenditures and in the case of Arizona Earn to Learn, human capital associated with greater educational attainment.”

# Program Details

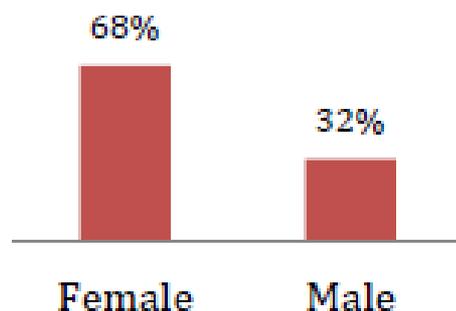
- 4 hours of personal finance training, one-on-one financial coaching, college readiness training and ongoing support
- Participants receive an 8:1 match on their savings, up to \$4,000 per year, on \$500 savings.
- The universities are layering multiple AFI grants – one per year.
- Each university has their own eligibility requirements, above AFI eligibility standards.
- 8 financial institution partners.

## Demographic Data AZ Earn to Learn 2013 Student Savers Statewide

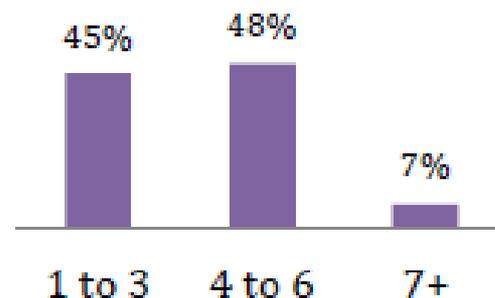
### Student Type



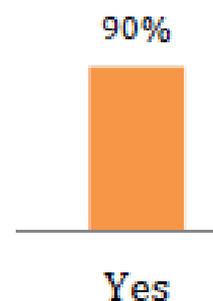
### Gender



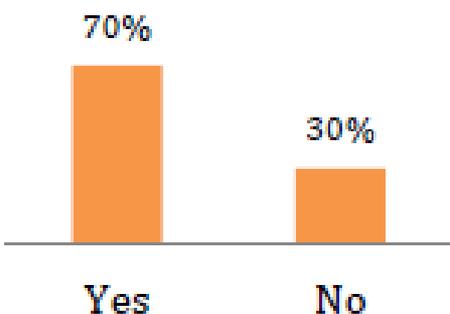
### Household Size



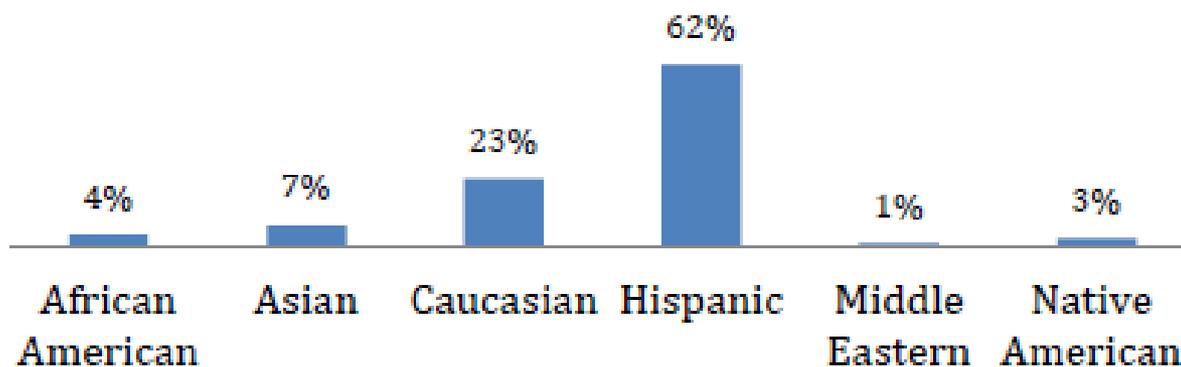
### Bar



### First Generation Student



### Ethnicity



### R



# STEM

- Notably, over half of **AZEL** participants have indicated their intentions to pursue a science, technology, engineering, or mathematics (STEM) degree. Given the interest **AZEL** participants have in pursuing STEM careers and the potential impact that this “Saving-to-Scholarship” model can have on improving the financial self-sufficiency and educational attainment of Arizona youth, **AZEL** can contribute to developing a highly-skilled 21st century Arizona workforce.

# Looking Forward

- As of August 2013, 73 **AZEL Savers** earned their first of two anticipated **AZEL** scholarship disbursements of \$2,000.
- Vision for the future of **AZEL**
  - replication at other institutions
  - integration of a peer-to-peer mentoring component,
  - expanding the current internship component that pairs students with community partners, and
  - developing an internal evaluation plan to monitor change in participant knowledge and behavior, as well as overall program impact.

## Next steps

1. Email [info@idaresources.org](mailto:info@idaresources.org) if you are interested in being notified of the 2014 Funding Opportunity Announcement
2. Set up a call with the AFI Resource Center
3. Develop agency support and buy-in

# Applicant Webinar Series

Webinar 1: Planning an AFI Project	Webinar 2: Preparing a Successful Application	Webinar 3: Developing Resources and Partners
November 12	December 4	December 18
January 7		February 6
February 18	March 6	March 19
April 3	April 16	April 29
May 8	May 21	

For more information and to register:

<http://IDAresources.acf.hhs.gov/Calendar>

# AFI Resource Center Contact Information

Phone: 1-866-778-6037

Email: [info@IDAresources.org](mailto:info@IDAresources.org)

Web: <http://IDAresources.acf.hhs.gov>

<http://acf.hhs.gov/programs/ocs/programs/afi>