



Back to School: Best Practices for Developing Successful Education IDA Programming

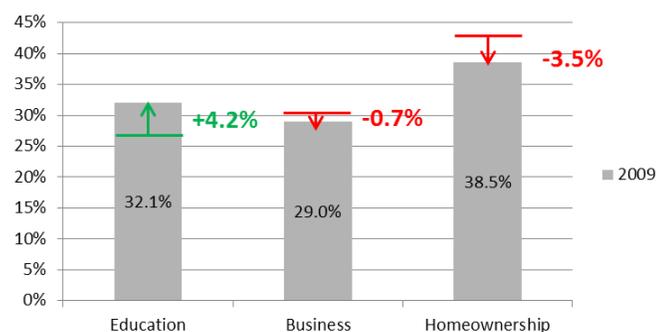
The Assets for Independence (AFI) “Tools for Success” Case Study Series is intended to highlight successful programmatic strategies that AFI grantees might find relevant and helpful to their work. This is the first case study in the series, examining how Individual Development Account (IDA) programs can leverage partnerships with educational institutions to increase program recruitment, asset purchases and the ability to raise non-federal funds.

Trends in Education IDAs

Educational organizations increasingly recognize the power of leveraging Individual Development Accounts (IDAs) to help low-income students access postsecondary education opportunities. At the same time, IDA programs are benefiting in many ways by focusing on education savers and forming partnerships with schools, colleges and educational foundations. In partnership with local educational institutions, “education IDA programs” can increase program enrollment, asset purchases and access to non-federal dollars. Education savers may be more likely to successfully graduate from an IDA program, due in part to the relative ease of enrolling in job training or postsecondary education compared to starting a business or purchasing a first home. Similarly, IDA practitioners may have an easier time providing case management to education savers, as the support needed to ensure a successful asset purchase can be less labor-intensive than for homeownership or small businesses.

The proportion of IDAs used for education is increasing. Between 2006 and 2009, Assets for Independence (AFI) education IDAs grew by 4.2%. As of 2009, 32% of AFI IDAs were used for postsecondary education or training (compared to 29% for business and 30% for homeownership), and this proportion has been growing steadily over the past few years. The most recent data currently available on AFI IDA use is from 2009; given the continuing challenges of homeownership and business development in the continuing economic downturn, it is likely that the proportion of education IDAs has grown even more in the intervening

AFI IDAs, Change from 2006 to 2009



Source: Office of Community Services, “Report to Congress: Assets for Independence Program; Status at the Conclusion of the Tenth Year.” U.S. Department of Health and Human Services (October 2010)



years. Particularly in a difficult economy, IDA programs are primed to help support the increasing number of low-income individuals seeking additional workforce skills, training and education.

Developing a successful education-focused IDA program can be broken down into several different strategic elements:

- Getting the right players to the table
- Identifying funding sources
- Structuring the program
- Marketing the program
- Understanding the impact on financial aid
- Unique challenges

This case study explores the special considerations of each component, and highlights two AFI grantees with particularly successful education IDA programs:

CASA of Oregon: AFI grantee CASA of Oregon created the Matched College Savings Program (MCSP) in 2006 to expand access to postsecondary education for underrepresented high school and college students.

Montana Credit Unions for Community Development: AFI grantee Montana Credit Unions for Community Development (MCUCD) – the charitable arm of the Montana Credit Union Network – has two distinct education IDA programs. The first, Montana Students Save, is a statewide program that provides education IDAs to students pursuing education at any Montana college or university. The second, Matched Education Savings Account (MESA) program, provides education IDAs to students at the University of Montana and Carroll College.

Getting the right players to the table

Identifying the right partners is critical to the success of an education IDA program. Partnerships with the appropriate education networks can help facilitate recruitment and provide access to non-federal funds.

Developing partnerships: In many communities, partnerships have not been established to link IDA programs and educational entities. Yet they both share a common goal of helping individuals receive higher education. IDA programs can leverage this natural synergy to establish formal partnerships with these organizations. Potential education partners include high schools, college readiness programs, vocational and technical programs, community colleges, four-year colleges and universities, and other local education organizations and funders.



- **High schools:** High schools make excellent program partners because they already interact daily with the target account holder – students potentially seeking an advanced degree or training in the near future. Older high school students are beginning to think about postsecondary education choices and costs, which may make them ideal candidates for education IDAs.¹
- **Vocational and technical programs:** Students in a trade program receive vocation-specific education often linked to job advancement, and are likely working toward a shorter-term degree. Partnering with an accredited vocational or training institute provides access to students that are likely to need to make asset purchases early and frequently. Depending on the training program, the IDA match and participant savings may cover a significant portion of the tuition.
- **Community colleges:** Community colleges recognize the need to offer their students additional resources to help pay for expenses not covered through financial aid. Community college students may also be more likely to qualify for IDA programs than their counterparts at four-year colleges or universities, as they are more likely to have income from part-time jobs and to come from lower-income households.²
- **Four-year colleges and universities:** Financial aid offices at four-year colleges and universities also acknowledge the need to help their lower-income students pay for tuition and other fees. Colleges and universities may have access to additional resources and non-federal funds that could be used to support the IDA program.
- **Other education networks and organizations:** Other players in the higher education field, such as nonprofits and foundations, can provide connections to students, educational institutions and/or funding. These groups may include local foundations focused on serving high school or college-bound students, community college networks, and college readiness programs like College Summit or College Track.

Potential partner roles: As with any IDA program, an education IDA program needs a financial institution partner to hold the account and an organization to deliver financial education. In some cases, the financial education instruction may be offered by the educational institution with which the IDA program is partnering. The school may also serve as the “face” of the IDA program to savers; because they intersect with students on a daily basis, schools are well-suited to market the IDA program, recruit students, facilitate trainings and financial education, and provide ongoing case management. The coordinating

¹ As with any AFI-funded IDA program, all high-school-aged participants must submit proof of earned income and must purchase an asset within five years of beginning the program.

² Source: Economic Mobility Project – The Pew Charitable Trust, *Strengthening Community Colleges’ Influence on Economic Mobility*. www.economicmobility.org



community organization will usually manage the back-end administrative tasks of the program, including oversight of account activity, grants and community relationships.

CASA of Oregon: Matched College Savings Program (MCSP) collaborates with several education institutions: one community college, several high schools that are part of the GEAR UP³ network, and ten colleges through a partnership with the Oregon Independent College Foundation. The educational institutions function as the entry point for students enrolling in MCSP. Schools are responsible for recruiting students and providing financial education and case management. CASA of Oregon manages the administration of the IDA program, including fundraising, grant management, custodial account tracking and reporting, handling bank relationships, and providing technical assistance to partners.

Montana Credit Unions for Community Development: MCUCD receives funding from GEAR UP to work with high school students, and partners with the Student Assistance Foundation (SAF), a statewide nonprofit that provides students with the tools to pursue and fund their postsecondary education. SAF plays multiple roles in both Montana Students Save and Montana MESA. SAF has outreach staff on campuses across the state, working with students in the IDA program by providing one-on-one support related to financial aid, post-college debt, and financial education. SAF outreach staff also work directly with the financial aid offices at schools to market the IDA program. The Montana Credit Union Network plays a crucial role as well, managing grants, reporting on outcomes, performing ongoing tracking and working directly with accountholders to offer financial education. Since all touch points are with the credit unions or the participating schools, accountholders rarely intersect with MCUCD directly.

Identifying funding sources

One clear advantage to raising funds for an education IDA program is the potential to attract funders with a variety of interests, including issues affecting children and youth, access to higher education, financial education, and financial security and economic mobility. One key strategy for raising non-federal dollars is to pursue education-specific funding sources, in addition to traditional sources of IDA funding.

- **State funding:** Beyond dedicated state IDA funds, programs targeting education savers can explore other state funds reserved for advancing education. Potential sources include job training, workforce development, TANF, Welfare to Work, and other funding from state departments of education or labor.

³ Gaining Early Awareness and Readiness for Undergraduate Programs is a grant program through the U.S. Department of Education designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. See www.ed.gov/gearup for details.



- **Educational institutions:** Colleges and universities have access to non-federal funds that can support an IDA program. The first step in identifying these possible funding sources is to connect directly with the financial aid office. When interacting with financial aid staff, it is important to emphasize how the education IDA program can help improve student retention by reducing student debt and increasing students' ability to make on-time tuition payments.
- **Independent education networks:** Statewide education networks – such as college associations or college/education foundations such as those in Oregon and Montana – may also have funding available to support an IDA program. Perhaps more importantly, these organizations may have knowledge of other potential funding sources to tap.
- **Community foundations:** Community foundations play an important role in financing college-bound students through direct scholarships and support to nonprofits. Although scholarship dollars cannot easily be redirected to IDAs, community foundations can use other funds to match savings or provide general operating support to IDA programs.

CASA of Oregon: Matched College Savings Program (MCSP) receives funding from three sources: federal Assets for Independence funds, state funding, and private funding from the Oregon Independent College Foundation (OICF). When CASA of Oregon was initially fundraising for MCSP, they began by identifying pots of money that were already earmarked for college students. They discovered the OICF, which had funds available to support low-income students and students of color. Given their aligned missions, making the case to OICF to fund education IDAs was relatively easy.

Montana Credit Unions for Community Development: MCUCD uses funding from Carroll College, the University of Montana, and the Student Assistance Foundation to support the non-federal match required by AFI. Carroll College uses discretionary business development funds to support the program, while the University of Montana uses funds earmarked for various college attainment programs. Student Assistance Foundation helped MCUCD identify funding sources at both schools. A private funder also donated money to the University of Montana to create an education-focused IDA program on campus.

Structuring the program

When designing an education-focused IDA initiative, practitioners should keep in mind a few important program elements:

- **Frequent asset purchases:** Focusing on education IDAs may result in having to process more withdrawal transactions than for home purchase or business development. Students often need to make multiple tuition payments throughout their schooling, while continuing to save in the program, and will need to be able to access their match throughout the savings period, instead of all at once at the end of the program.

- **Higher match rate:** Some education IDA programs choose to offer a higher match rate (such as 5:1). The higher the match, the further a student's own savings will go, which may mean that a student will be less likely to take out additional loans. A higher match rate can also be a strong incentive for educational institutions to participate in the program.
- **Target demographic:** Education IDAs are specifically targeted to current and potential students, focusing on students who are likely to have a lot of college debt, students without access to other sources of financing and first-generation college students.

CASA of Oregon: Matched College Savings Program (MCSP) targets underrepresented populations, including first-generation students, students of color, and non-traditional students (e.g. adults and single parents). The program is very selective about the colleges and universities with which it works, and only partners with schools that are able to target students with the greatest need. MCSP has a match rate of 5:1, greater than the 3:1 match rate in its other IDA programs. Finally, MCSP features a "save and study" option, meaning students can make withdrawals every academic term or as needed. Most students save for six to 36 months. On average, students graduating from MCSP have half the debt they would have had otherwise.

Montana Credit Unions for Community Development: Similar to the Oregon model, Montana MESA allows students to make multiple withdrawals. MCUCD makes the program as flexible as possible to account for students' differing needs. Students receive a 3:1 match at the University of Montana, and an 8:1 match at Carroll College.

Marketing the program

In most IDA programs, the coordinating organization is responsible for identifying and recruiting accountholders. In education IDA programs, however, the educational institutions play a more central role. Because college financial aid offices already collect information on student finances, they can screen and target students who meet IDA program requirements.

CASA of Oregon: MCSP works with financial aid officers to identify current students who qualify for an IDA. Increasingly, financial aid officers are also able to identify incoming freshmen who would be strong candidates for IDA program participation.

Montana Credit Unions for Community Development: MCUCD also works with financial aid offices, which can identify students who meet income requirements through financial aid databases and send e-mails to potential savers. The financial aid office also holds orientations about the IDA program. Financial aid officers and SAF outreach officers also work with professors and key staff across the college to market the program.



Understanding the impact on financial aid

Students can be anxious about the impact an IDA will have on financial aid, but in most cases the impact is minimal. The AFI No Reduction Benefits Clause states that an account holder's own savings is excluded from financial aid consideration; however, the treatment of the match is up to the interpretation of individual schools. Thus, it is important for IDA providers to work directly with financial aid offices at participating schools to clarify how an IDA will affect a student's financial aid.

CASA of Oregon: Matched College Savings Program (MCSP) has been very intentional about working with financial aid officers to communicate the IDA program basics, the importance of asset building, and how participant savings interact with the school's financial aid policies. As a result of these relationships and clear communication, participating schools have agreed not to reduce students' campus-based funding. Almost all account holders have zero Expected Family Contribution (EFC), meaning the IDA rarely affects financial aid in any case.

Montana Credit Unions for Community Development: Similarly, MCUCD works closely with financial aid officers to ensure that there is as little impact as possible on a student's financial aid. Financial aid officers understand the general purpose of the IDA program, and ensure that account holders are not penalized for their savings.

Unique challenges

Working with local education systems can create some unique challenges. For vocational schools, community colleges and some four-year universities, there is often a dearth of extra funding and staff time to take on the extra effort associated with bringing a savings initiative to campus. This means that it may be necessary for IDA programs to provide substantial support to the school staff, ensuring that the program is easy to run.

Also, some educational institutions may initially be skeptical of education IDAs; staff may not think that the program is worth the effort or that it will significantly reduce a student's debt burden. It is important to explain that an IDA program is not simply a social service program, but rather a way to enhance the school's ability to support its students.

Once school staff understand the benefits of an IDA program and how it relates to college retention and graduation, they may be more likely to invest time and resources into seeing the program succeed.



Conclusion

What makes successful education-focused IDA initiatives unique and innovative are the development of non-traditional but necessary partnerships, and a program structure explicitly designed to accommodate current and prospective students. AFI grantees and other IDA programs seeking to expand their reach in the education arena must be prepared to invest in cultivating and managing strong relationships with partners – an investment that can reap significant dividends. IDA programs that emphasize higher education are reaching new audiences of savers, tapping into new sources of non-federal funding, and most importantly, creating opportunities for larger numbers of low-income Americans to access higher education, build their skills, and succeed in today's highly competitive marketplace.