

# **New Mexico Assets Consortium**

Managed by

***Prosperity Works***



## **Individual Development Account Procedures Manual**

Updated October 2016

INFORMATION CONTACT: MONICA CORDOVA  
[monica@prosperityworks.net](mailto:monica@prosperityworks.net) / 505-217-2747

# TABLE OF CONTENTS

<b>1. New Mexico Assets Consortium</b>	
Glossary of Terms .....	1
<b>2. Becoming a Consortium Partner</b>	
Data Collection and Evaluation Tools .....	4
Partnership Agreements.....	5
Procedures for Handling New Grant MOAs with Current Partners.....	6
New Grant – Fund Preparations.....	7
Elements of the IDA – General Timeline .....	8
What To Do If Things Go Wrong.....	9
<b>3. Managing Your IDA Initiative</b>	
Asset Coach Expectations .....	10
Required Activities of an Asset Coach in Delivering IDAs .....	10
Best-Practice Activities of an Asset Coach .....	10
Characteristics of an Effective IDA Coach .....	11
Credit Coaching/Rebuilding.....	11
File Management .....	11
Step by Step for File Management.....	12
Annual Site Visit .....	12
Step by Step for Annual Site Visit.....	12
<b>4. Application, Eligibility, &amp; Enrollment</b>	
Application Package Contents .....	15
Amount of Household Income .....	17
Earned Income – IRS Definition .....	18
Income That is NOT Earned Income .....	19
Household Net worth.....	20
Age Eligibility.....	20
Resident & Citizenship Eligibility .....	20
Step-by-Step .....	21
<b>5. Setting the Savings Plan &amp; Opening the IDA</b>	
Participation Agreement .....	22
Determining the Savings Goal.....	23
Homeownership .....	23
Business Capitalization .....	24
Post-Secondary Education.....	25
Exception Asset – Vehicle IDA .....	25
The Length of the Savings Plan .....	25
Dormant IDA Accounts .....	25
Multiple Savings Goals.....	26
Changing a Savings Goal.....	26
Transferring Savings to IDAs of Family Members .....	26
Step-by-Step to Setting the Savings Plan .....	27

Opening the IDA.....	28
Step-by-Step to Opening the IDA .....	28
<b>6. Coaching &amp; Financial Education</b>	
Coaching.....	31
Limitations -- Savings Standards.....	31
Minimum Monthly Deposit.....	31
Minimum Savings Time.....	31
Maximum Amount of Match from the Project .....	31
Number of Accounts Within the Household.....	31
Lump Sum Deposits.....	32
Exceeding the Savings Limit.....	32
Emergency Withdrawal Policy .....	32
Financial Management Education .....	32
Financial Education Standards.....	33
Six Core Elements of Financial Education .....	33
Termination or Saver Withdrawal .....	33
Step by Step to Termination or Saver Withdrawal .....	33
Dormant Accounts & Unclaimed Property .....	34
<b>7. Asset Planning &amp; Purchase</b>	
Home Ownership Plan .....	36
Business Plan .....	36
Education Plan .....	36
Exception – Restricted Option.....	37
The Asset Purchase .....	37
Fulfilling Project Requirements.....	37
Preparing for Purchase .....	37
Requesting Match Funds .....	37
Multiple (Partial) Withdrawals.....	38
Step by Step to Asset Planning & Purchase.....	38
Returning Checks If a Saver is Unable to Use One or More of Them .....	40
<b>8. Site Management Agreement</b>	
Site Management Agreement.....	41
Signature Page .....	42

# Section 1. New Mexico Assets Consortium

Welcome to the New Mexico Assets Consortium Individual Development Account (IDA) Procedures manual. This asset-building project is being implemented with the cooperation and resources of many partner organizations. Prosperity Works established the Asset Consortium in 2004 in order to create a best-practice network, reduce project administration costs, and decrease the project start-up time commonly associated with launching new IDA initiatives. Tools have been developed that are easily adaptable for local use. Prosperity Works is committed to providing excellent technical assistance, collaborative fund raising, and high quality professional development to partners in the Consortium.

## **Glossary of Terms**

Below are some basic terms that all Consortium organizations should use in common in order to facilitate communication. These are terms that “brand” our services, and that help promote the philosophy of the Consortium.

***Applicant / Participant*** – A person with whom you are working to verify that he/she is eligible to open an IDA.

***Asset Coach / IDA Coach*** – Each Consortium organization has one or more staff members who are assigned the role of Asset Coach. This person is a resource to help savers be successful in their IDA, but they are not in charge of savers’ success. Expectations of an Asset Coach are listed in Section 3.

***Coaching*** – We believe that every IDA Savings Partner is creative, resourceful, and whole. Given the knowledge, resources, and opportunity, we believe that our savers know best what they need to move ahead in life. It is from this perspective that we approach our work, and coach the savers through their self-established goals.

***Dormant Accounts*** -- Bank accounts with no, or few, deposits, or in which the saver has saved the money, but has passed the expected purchase date with no expected improvement.

***EIN*** – Employer Identification Number. An identifier provided to a business entity by the federal IRS at no charge. This is required for many business transactions, including opening a business account at a financial institution, and bidding on many contracts and jobs.

***EITC*** – The Earned Income Tax Credit (EITC) is a tax refund that must be claimed (i.e., you must fill out a very specific form) in order to be received. If you had earned income this year, and you fall within the federal income guidelines, you may be eligible for this income tax refund even if you do not owe any taxes.

***Earned Income*** -- Non-taxable income is not usually earned income. Combat pay is an exception, and there may be others. Most funding for IDAs requires that savings come from earned income.

**Emergency Withdrawal** -- Savings Partner needs to withdraw funds due to life emergencies such as: foreclosure or eviction, needing living expenses, job loss, or medical expenses.

**Enrolled** – A person is considered enrolled after s/he has: (1) verified income eligibility; (2) met all the necessary qualifications to become a Savings Partner; and (3) the Asset Coach has determined that the potential saver is ready to open her/his IDA savings account.

**Enrollee** – This is a person you have determined to be enrolled in the IDA savings initiative, and have “date stamped” the qualifications. An IDA savings account should be opened within 30 days after enrollment.

**Income** – Income is the total earned income coming into a household. IDA funding sources set limits on the maximum household income for IDA eligibility.

**Individual Development Account (IDA)** – An IDA is a matched savings account that is set aside to help someone save for, and invest in, an asset that will help him or her build a more stable economic base and a more self-sufficient financial future. Partners determine the rate of the match account. AFI allows anywhere from a 1-to-1 up through an 8-to-1 match. This is determined by the partnering agency by taking into consideration the income level, expected participation, and the agency funds available.

**Internal Review / Site Visit** – At a minimum of annually, Prosperity Works will conduct an internal review of IDA files that are kept at partner locations. This review is to ensure consistency of project records throughout the statewide initiative, as well as to ensure compliance with funding sources.

**Matched Withdrawal** – A matched withdrawal is a withdrawal of savings from a custodial savings account that is eligible to be matched with IDA funds.

**Carl Perkins Eligible Education Institution** – This is an educational institution falling under the U.S. Higher Education Act. These are educational institutions for which IDA funds can be used because they meet federal standards. One simple way to find out if a school is “IDA eligible” is to ask their financial aid office if they are able to receive federal Pell grants. If they are not, or if they do not know what you are talking about, then it is possible that the IDA funds cannot be used there. IDA funds are not Pell grants, but they have the same requirements as those of Pell-grant-eligible schools. You can check an institution’s eligibility at <http://ope.ed.gov/accreditation/Index.aspx>.

**Qualified Purchase Plan -- Business** – This is a business plan that has been reviewed and approved by a Small Business Development Center (SBDC), a micro-enterprise development organization, or a financial institution that makes business loans. The plan must include a description of services or goods to be sold, a marketing plan, and projected financial statements.

**Qualified Withdrawal** – This is a withdrawal of savings from your custodial account that is allowable under Plan rules.

**Savings Partner** – This is someone who is enrolled in the IDA plan, and is saving in a specified custodial account. They are generally referred to as Savings Partners.

**Successful Purchase** – This occurs when a saver purchases his/her asset on or before the agreement date.

## Section 2.           Becoming a Consortium Partner

Prosperity Works will begin the site-readiness process through an initial interview with the organization wishing to join the Consortium and offer IDAs. A Capacity Statement will be requested, which helps the organization determine how to effectively offer IDAs, and how to develop a strategy for offering IDAs through their organization. The Capacity Statement gives Prosperity Works a snapshot of the IDA program being developed. Next, an on-site visit will take place to understand the unique situation of the potential Consortium partner. At this time, the Memorandum of Agreement (MOA) is taken to the visit (if it was not mailed ahead of the visit) to be discussed, and a signed copy will be requested [at the time of the visit)], along with the following:

- The agency's New Mexico tax exempt letter.
- The agency's current financial audit. (If no audits are required, the Executive Director or financial director must provide us with a letter stating that this is the case. Agencies with a budget of \$500,000 or more in federal money must have a financial audit turned in every year.)
- Signed Site Management Agreement form from the New Mexico Asset Consortium Policies and Procedures manual. (This is the last page of this manual.)

The MOA will spell out the obligations of each party, General Agreements, and Operating Cost Expectations. **Please note a major change that has been added to the MOA, which is:** "Sub-recipient will provide a 15% administration fee on all local-match obligated funds." Prosperity Works provides several fully-funded IDAs to partners willing to provide them to their community. There will be a 15% fee on the match funds of the fully-funded funds provided to your agency.

This fee can be paid in two different ways: (1) the 15% can be subtracted by the amount obligated for the local match, or (2) we can invoice you for the 15% over what you have obligated to match funds. These and other options, such as goal amount, match rate, fund collection process, etc., will all be spelled out and determined in the MOA addendum, which must be signed by the agency and retained in our files.

### **Data Collection, Evaluation Tools, and Saver Communications**

The primary project funders require certain sets of information be gathered and tracked regarding Savings Partners.

Data Report. Each year all demographics, financial information, savings information, and asset purchase information is compiled in a report to Congress. This report is required by the Assets for Independence (AFI) Program, which is our Consortium's source of federal funds for IDAs. Consortium partners are required to maintain saver data in the web-based software provided.

Ongoing Evaluation. Prosperity Works periodically initiates evaluations that help demonstrate the effectiveness of asset building strategies. Prosperity Works maintains the

right to have direct communication with the Savings Partners in order to collect customer service data, as well as impact data.

Saver Communications. Prosperity Works also maintains the right to have direct communication with the Savings Partners at any time during the IDA cycle.

## **Partnership Agreements**

Each New Mexico Assets Consortium (NMAC) partner has signed a Memorandum of Agreement (MOA) with Prosperity Works that defines the roles and responsibilities of each organization.

Expected orientations, trainings, and meetings to attend:

### Mandatory training and meetings:

- Orientation and Executive Director coaching
- Asset coach training
- Software training
- Annual NMAC meeting (usually schedule in the first part of October)

### Within three years:

- CNM financial coach training class

### Fund responsibilities:

- Prosperity Works provides federal funds to match local funds obligated by Consortium Partners. The following items are determined by the partnering agency:
- rate of match
  - savers' maximum goal that will be matched (maximum is limited to \$1,000)
  - which assets will be offered for the IDA (may be all three, or select assets)
  - time-line within the grant by which funds must be disbursed

(Note: Federal funds may not be used to purchase vehicles or other *state* allowed purchases. Agencies allowing such a purchase must understand that only the local funds they provide will be used to match at a lower rate, or the agency may wish to provide additional local funds to maintain the full determined match rate.)

The applicants file for the IDA saver at each of the partner organizations is owned by Prosperity Works. Prosperity Works is tasked with ensuring compliance with the federal AFI award guidelines, as well as the non-federal funding sources that are available to match savers' deposits. A part of the condition of using the federal funding source is our agreement that all non-federal funds that are used for matching will "take on the federal identity".

In its role as the direct grantee of the federal AFI award, Prosperity Works is mandated to monitor the "sub-grantees" (partner organizations) use of the federal funds. Although the match funds are not physically distributed to the partner organizations to manage, each time an IDA is opened, the partner organization is obligating federal funds for which Prosperity Works is accountable. Each partner receives an annual site visit audit of their files



and compliance with the rules. A sample of the annual **Site Visit Packet** is included in the Addendum to this manual. Items collected at the site visit are:

- Sub-grantees Compliance Instructions form.
- Photo release form for any new IDA staff.
- Current financial audit. (If no audits are required, the Executive Director or financial director must provide us with a letter stating that this is the case. Agencies with a budget of \$500,000 or more in federal money must have a financial audit turned in every year.)
- A new Capacity Statement, if requesting additional federal funds for more IDAs.
- Files of Savings Partners' who have cashed out.

### **Procedures for Handling New Grant MOAs with Current Partners**

1. A new MOA will be sent to the participating agency, along with the cover letter, Best Practices, and Asset Coach Expectation documents.
2. Partner agencies will sign the MOA, and return two original copies of the signature page of the MOA to Prosperity Works.
3. When the signature pages of the MOA are received by Prosperity Works, they will be directed to the Contracts Manager, who will ensure the MOA is signed by Prosperity Works' CEO.
4. The Contracts Manager will verify that the proper signatures are present.
5. The Office Assistant will then ensure that the Capacity Statement, agency financial audit, and the state tax exempt letter are all present.
6. The Contracts Manager will send one of the original signed MOAs to the partnering agency, and will file the second copy in the MOA notebook after she notifies the NMAC Director that the MOA was received.
7. The NMAC Director will verify the Fund Request/Offered form. When all is correct on the Fund Request, the MOA, and updated Capacity Statement will be placed in the agency's file.

## **New Grant – Fund Preparations**

The NMAC Director will verify the last fund request from partnering agencies, as documented in the Capacity Statement, and will:

- Send out emails to confirm that federal funds are available to match local fund obligations.
- Send out emails of fully-funded IDA funds being offered to agencies to get confirmation of acceptance of funds.
- Changes will be updated as new funds and obligations are confirmed to partners, along with a request for a completed Capacity Statement for file.
- The suggested timeline for the complete IDA process follows on the next page.

## **What To Do If Things Go Wrong**

**First:** Please voice your need or concern to the NMAC Director at Prosperity Works, 505-217-2747. Be clear about what is and is not working for you. Your issues will be responded to immediately. Your ideas will help improve the process as the project continues to grow. ***Please speak up.***

**Second:** Work with the Director to complete a remediation plan which will put in writing what you should expect to happen from the project administration personnel, as well as resources that will be provided to the local site.

**Third:** If you have issues that are not being resolved it is your Savings Partner who is the one at risk. Our goal is to do whatever it takes to ensure that measures are taken to keep the project running as smoothly as possible. If your issues have not been resolved, contact the Prosperity Works Vice President directly and indicate the steps you have taken with the NMAC Director to resolve your issues, but that have not worked.

Every piece of input and feedback you and your Savings Partners provide is exceptionally valuable to maintaining a smooth, effective, model project that has the highest possible impact for those we serve.

## **Elements of the IDA -- General Timeline**

The timeline below provides a picture of the full process of initiating IDA services:

### **Estimated Timeline – 18 Months**

<b><u>Time Frame</u></b>	<b><u>Action</u></b>
Partnership development	Partnership Memo of Agreement developed by Prosperity Works and the organization's Executive Director. Then, when finalized, staff is selected.  Training of Executive Director and coaches in the NMAC/IDA programs (organization orientation for all involved in the NMAC, IDA coach training, software training, and financial coaching (there is a fee attached to this training, and it is offered only once or twice a year).
1 <sup>st</sup> to 6 <sup>th</sup> month, to end of grant	Recruitment of clients. This is ongoing until slots are filled, or up to 9 months before the grant is over. No new clients should be enrolled after 9 months to the end of the grant.  Financial education classes and coaching. These can be ongoing until enrollment is complete and all savers, or possible clients, have completed the class.
3 <sup>rd</sup> to 6 <sup>th</sup> month, to end of grant	Enrolled in the IDA program.  Formally opened up an account with an authorized financial institution, are maintaining an open account, and making monthly deposits. This will continue until the goal is met, which should match with the expected purchase plan and saver's end date.
As soon as the saver is ready; best to begin the plan early.	Asset plan development should start. (This takes a while, but must be completed before submitting a withdrawal request.)  Meet with external resources to complete needed portions of the asset plan (first-time home buyers information, small business development centers, school advisors, etc.).
7 <sup>th</sup> month in; 4 <sup>th</sup> month prior to purchase request	Must have received financial and credit coaching. This must be logged in the web-based software in order to allow a withdrawal when requested.
12 months into the saving process; just prior to purchase request	<u>Business IDA:</u> Complete business plan and have it reviewed by small business development center or a certified micro-enterprise organization.  <u>Education IDA:</u> Be ready to enroll, or be enrolled, in institution for higher education.  <u>Home Purchase IDA:</u> Complete final purchase agreements with home purchasing agencies, lenders, and home purchase assistance for home ownership.  Each of these milestones must be entered into the web-based software in order to complete the matched withdrawal.  <i>All of these are time-sensitive tasks. Work with the saver on this date at the time of enrollment.</i>

<p>5 weeks before the anticipated date of withdrawal</p>	<p>Request withdrawal of funds for the asset. This should be done <u>at least 4 weeks prior to the date the funds are needed</u>. Withdrawals can start as soon as 6 months after saving begins and all requirements are met.</p> <p>Partial withdrawals are allowed for each asset, but are most common for the education asset. Partial withdrawals may be requested after all savings requirements are met.</p> <p>An exception is for the education asset. The saver may request partial withdrawals -- up to the amount currently saved -- before fully reaching his/her established savings goal.</p>
<p>Within 60 days after the completion of the saver's IDA</p>	<p>Saver's file must be returned to Prosperity Works. Confirm that the file is complete and closed out, and return it to Prosperity Works by mail, or arrange for pick up at site visit. Copies may be made for your organization's file, but originals must come to Prosperity Works.</p>

## Section 3. Managing Your IDA Initiative

### Asset Coach Expectations

The Asset Coach is someone who manages the IDA activity. The coach is an added resource to what the Savings Partners' have available in their tool box for success. The IDA process is just one thing that the coach is responsible for in his or her job. Working with the saver early on in the process, and using coaching rather than case-management techniques, will afford the Asset Coach much more time and many fewer headaches. Some savers need more assistance than others. However, all savers need to be motivated to earn that 4-to-1 match on their savings.

There are two basic principles of effective coaching. First is that people can't be coached if they don't want to be. Second is that **people themselves**, not their coaches, **are responsible for their own performance and their motivation to change**.

Coaches create optimal working conditions – they provide support to remove barriers to achieving peak performance.

### Required Activities of an Asset Coach in Delivering IDAs

- Completing a contract (in the form of the IDA Participation Agreement) between the Asset Coach's organization and the IDA Savings Partner regarding the expected results, and the amount of time they are willing to invest in the process. (This form may be updated as needed by the Coach and saver.)
- Working with IDA Savings Partners to create a budget that supports their savings goals, and to determine the amount of designated monthly deposits necessary to achieve those goals.
- Ensuring access to financial capability training, and completion of the Self-Advocacy Portfolio.
- Guiding the saver through the asset purchase plan process, which defines the specific steps that are required to achieve asset purchase. This includes providing community resources that can support the IDA Savings Partner in both creating and completing the asset purchase plan.
- Working with the IDA Savings Partner to successfully complete the necessary paperwork, forms, and trainings related to the IDA savings opportunity.
- Documenting the date, results, and follow-up steps for each contact you have with the IDA Savings Partner.
- Distributing statements of deposits and match funds to the IDA Savings Partners no less than quarterly. Monthly is the best practice.

### Best-Practice Activities of an Asset Coach

- Review the Savings Partner's credit report with him/her, and refer the saver to a credit counselor if credit rebuilding help is needed

- Meet with the saver on a regular basis to review his/her progress and create ideas for action, if needed.
- When possible, the coach should distribute notes or newsletters that include information about resources and training that is available to the Savings Partner.
- Send a note to celebrate saver success.
- The coach should become familiar with family subsystems that can be used to support the Savings Partner's progress.

## **Characteristics of an Effective IDA Coach**

- Has the ability to see strengths in every saver.
- Understands that savers choose for themselves
- Has active listening skills.
- Is careful not to offer advice, but rather supports the saver in finding his/her own solutions.
- Respects savers differences; values diversity.
- Understands that savers are the experts on their own lives.
- Looks for ways to frequently compliment the saver's progress.

## **Credit Coaching / Rebuilding**

Throughout the time period of a Savings Partner's savings process, helping the Savings Partner know and understand his credit score is essential. We most often think of credit with home ownership. However, it is also critical in obtaining school and business loans, and in creating business accounts with vendors. Even more critically, a sound credit score *will enable the household to have greater disposable income* by paying lower interest fees on many essential needs.

At a minimum, the Asset coach should pull a credit report at the start of the savings initiative. Asset Coaches and/or local credit counselors should work with the Savings Partner to check for errors or possible identify theft issues. The ongoing need for credit advice, as well as advice on how to protect yourself from identity theft, is an excellent opportunity to bring the full group of participants back for special sessions. This will also help with retention, and encourage participants to remain engaged in the savings and goal-setting process.

## **File Management**

**The primary participant file will be kept at the local site throughout the term of the Savings Partner's saving period. Within 60 days of the asset purchase, the Savings Partner's file is to be transferred to the Prosperity Works office for retention and annual survey updates. If you need a copy of the file for your own records, you are expected to make a copy prior to transferring the records to Prosperity Works.**

## **Step-by-Step for File Management**

1. Pull out any information that is not required by Prosperity Works.
2. Ensure that the original required documents are in the file that is sent to Prosperity Works, including a record or all contacts you had with the saver. If you keep these records electronically, please print them and include them in the file before sending it to Prosperity Works.
3. Double check to see that you have all the required information in the file that is transmitted to Prosperity Works. Required information in each file is:
  - Application with all verifications attached
  - Rationale or worksheets used to determine eligibility
  - Participation Agreement
  - Record of contacts with the saver during the time of the IDA
  - Copy of the financial education completion certificate
  - Self-Advocacy Portfolio
  - Completed and approved Purchase Plan
  - Signed withdrawal form(s)
  - Verification of eligibility for withdrawal
  - Documentation of Asset Purchase

## **Annual Site Visit**

**Prosperity Works will arrange an annual visit to your site in order to audit your files and ensure that you are enrolling eligible participants, and to confirm that all the verifications are kept in the participant's file.**

## **Step-by-Step for Annual Site Visit**

1. You will receive a letter no later than two weeks prior to the scheduled visit, giving you the date and time of the visit.
2. Documentation that will be requested during the visit includes a sampling of participant files for review, a check to ensure that the partner MOA is up to date, a copy of your most recent audit (if applicable), and an updated Capacity Statement identifying your current IDA target market and strategy (if needed).
3. Files of closed IDA participants will be requested for transfer to Prosperity Works.
4. An interview with the Asset Coach and the Executive Director is required.

5. You will receive a report of the site visit that details any issues of non-compliance with file management, and you will be asked to correct those issues and demonstrate the corrections in writing within 45 days of receiving that letter.



## Section 4. Application, Eligibility, and Enrollment

**The IDA application is the beginning point for determining eligibility.** The application collects the demographic data that is required by AFI (the federal funding program), as well as the income and asset information that is needed to determine if the applicant is eligible. **It is essential to double check all parts of the application for completeness.** Each and every question on the application form is a *required* question. Make sure that you have supporting documentation for all answers in the Income and Asset sections of the application. Asset Coaches should check the address information against the applicant's photo ID, and check that the application has the most recent, and complete, address information available. Very often an applicant leaves out an address indicator such as NW, SE, or an apartment number. In the section that requests an additional contact person, make sure you confirm that this is someone who does not live in the home. (Also, check that you have the most recent and complete address and phone number for that contact.) Collect email addresses when possible, because those don't seem to change as often as phone numbers or even addresses. Check as closely as you can for full and complete information.

The information from the **IDA Application** needs to be entered by the Asset Coach into the web-based software. The software will assist with eligibility calculations, but it is the Asset Coach's responsibility to ensure that the information provided is correct according to the applicant on the supporting documents collected so the software function will give accurate answers. These supporting documents should be kept in the saver's file. It is important to show your rationale for determining eligibility. This can be accomplished on a worksheet that demonstrates how the income was figured and compared with current federal poverty guidelines.

### **There are three elements to determine financial eligibility:**

- Amount of household income.
- Whether the household has earned income.
- Amount of household net worth.

Each of these elements must have verification and documentation for eligibility. On occasion, sources of non-federal grant funds will impose additional requirements. For example, New Mexico state funds require that a participant be a citizen of the U.S., a New Mexico state resident, and over the age of 15. Other non-federal funders may have very targeted geographic or participant demographic requirements. The Asset Coach is held responsible to know what sources of funds, beyond federal funding, are being used by your organization to offer the IDAs.

The eligibility checklist below is taken from the Participant File Checklist (available on the web site) and outlines the eligibility requirements. The checklist guides the Asset Coach regarding acceptable documentation to be kept in file for each potential saver. Discussion of each of the eligibility requirements follows this checklist. **If a partner enrolls an IDA**

**Saver who is not eligible, the partner agency must reimburse the saver's match funds to Prosperity Works.**

## **Application Package Contents**

Each application package needs to have a checklist included in which the Asset Coach has identified what documents are on file as verification of the claims in the application. It is important to freely make notes and comments to clarify any missing documentation, or other decisions made by the Coach. *Initial and date all comments!* It is exceptionally important that the information in the file, and the rationale that is used to make decisions, be traceable.

### **Eligibility Checklist**

- IDA Participation Application (complete with signatures).
- Does the household have current earned income? Provide one (1) of the following
  - Current pay stub of someone in the household (within the last 30 days)
  - Completion of the self-employment verification form for someone in the household (within the last 30 days).
- What is the household's adjusted gross income?
  - Most recent IRS tax forms for all members of the household.
  - In addition, if the applicant is a business owner, provide one (1) year of NM CRS filings.
  - The three (3) most recent months of employment pay stubs for all household members if tax forms from the immediate past year are not available.
- How much is the household net worth? Net worth cannot exceed \$10,000. This excludes the house the participant lives in if owned by the participant, and one car. You need all of the following documents:
  - Current statements of all checking, savings, and retirement accounts
  - If the applicant is a business owner, you must figure out the business value. Use <http://www.calcxml.com/calculators/business-valuation>. What is the number of years that you or the person expects to continue the business.
- To figure the household income:
  1. Enter the amount of earnings the person shows from their Schedule C or CEZ on their most recent tax form.
  2. Leave the second and third lines blank.
  3. On number of years that the person expects to continue the business, enter whatever they enter on their application. For the applications that are current and have not filled in that blank, enter 4 years.
  4. In "level of business risk" enter "Considerable" due to the current economic uncertainties.

5. On percentage discount for lack of marketability, enter 75% based on the likelihood of selling a business this year.
6. Scroll to the bottom and hit the “pdf” button, and print.

-- Get the current Kelley Bluebook value of ALL household vehicles at:

<http://www.kbb.com/whats-my-car-worth/>

-- You will also need a current credit report. The credit statement is used to verify the liability claims that the applicant has listed. The credit report also helps the applicant understand the work that s/he needs to accomplish in building her/his credit report. *The credit report can be pulled by the applicant from: [www.annualcreditreport.com](http://www.annualcreditreport.com), or by the Asset Coach.*

The following three requirements apply when using New Mexico state funds as matching funds. If New Mexico funds will *not* be used in the match, it is essential that you write on the participant checklist that New Mexico State funds will not be used for this participant.

- Does the applicant live in the state of New Mexico? (You need **ONE** of the following documents.)
  - Utility bill (in participant's name)
  - Tribal registration card
  - Rental/lease agreement (in your participant's name)
  - Voter registration card
  - Social services statement
- Is the applicant a U.S. citizen? (You need **ONE** (1) of the following documents.)
  - Tribal registration card
  - U.S. passport
  - Birth certificate
- How old is the applicant? Remember that if New Mexico state funds are used for the match the participant must be 15 years old or older. There is no age limit attached to the federal funds. (You need **ONE** (1) of the following documents.)
  - State ID
  - Birth certificate
  - Passport
  - Tribal registration card
- The last three items are all required for use of state funds. There may be times we do not use state funds, but we ask coaches to be consistent on information we collect so that we do not miss it when we *do* have state funds. If the applicant is not a

U.S. citizen, you must copy the document they bring in that certifies this information. At the top of the check list you will find a place to mark “no State funds used”.

## **Amount of Household Income**

To **be eligible** to open an IDA, the applicant must be in a household whose total adjusted gross income is less than 200% of the federal poverty guidelines. The potential Savings Partner should have his/her own source of earned income whenever possible. However, there are circumstances in which the income of the household may be used if the intended saver does not have direct income.

Income eligibility can also be achieved if: (1) the applicant is eligible for TANF; or (2) the applicant is eligible for the Earned Income Tax Credit (EITC).

For a current listing of the Federal Poverty Guideline, please go to: <http://aspe.hhs.gov/poverty/>. *Note:* you will need to double all income statements to show the annual level of 200% of poverty.

To see if a potential saver is eligible for the EITC, please go to: [http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-\(EITC\)-%E2%80%93-Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it](http://www.irs.gov/Individuals/Earned-Income-Tax-Credit-(EITC)-%E2%80%93-Use-the-EITC-Assistant-to-Find-Out-if-You-Should-Claim-it).

Household refers to “all individuals who share the use of a dwelling unit as primary quarters for living and eating, separate from other individuals” (AFI Statute).

In New Mexico there are times in which close examination of how the “unit” functions will be necessary if two or more families are dwelling together. Due to overcrowded housing, more than one family unit often exists under the same roof. Shared food and shared expenses may define several families as one household, but it is not an open-and-shut definition. It is important to gather information on how the family units function, and how they complete their IRS Form 1040. This will assist in determining the definition of “household”. It is possible for a committed couple to be living together or with one of their families, and yet keep most expenses separate. If they file taxes separately, and keep their primary expenses separate, they can be considered separate family units.

*Note: If you have an applicant that you believe may be eligible for the Earned Income Tax Credit, but you do not see from the tax return that the EITC has been claimed, please let them know to claim that credit. Tax payers may claim up to 2 years prior credits.*

Families *do not* need to be re-qualified each year. Income eligibility is determined at the time of opening the account. It is not revisited. If a household goes over the initial income amount during the course of savings it is okay.

However, if a Savings Partner has completed a savings plan and exited the program, and you choose to allow that partner to open a new savings plan, then you do need to re-qualify that person with up-to-date information.

Documentation for income eligibility needs to be gathered and kept in the Savings Partner files. Remember, you are gathering income information to fulfill two requirements: 1) that

the person or household currently has earned income coming into the household; and 2) that the full household adjusted gross income is under 200% of the federal poverty guidelines, that it qualifies for EITC, or qualifies to participate in TANF. **See the checklist on the following pages for documents that may be used to verify income.**

Income eligibility is based on **adjusted gross income**, which is the calculation of a person's income (e.g., from wages, salaries, tips, dividends, business income or loss, and other sources) **less deductions and expenses** allowed by the IRS (e.g., student loan deductions, self-employment tax, self-employment health insurance, and so forth). **The adjusted gross income is the amount shown on the IRS Form 1040.**

The household adjusted gross income is simply the **sum of all household members' adjusted gross incomes**. The simplest way to determine this is through adding the adjusted gross incomes that appear on each household member's federal tax forms.

### **Earned Income – IRS Definition**

The IRS defines "Earned Income" as described below. For all New Mexico Assets Consortium IDA accounts that use federal AFI match funds, please refer to the details of earned income as listed below. (Source: <http://www.irs.gov/publications/p596/ch01.html#d0e1059>.)

**Earned income (IRS definition) includes all of the following types of income:**

- Wages, salaries, tips, and other taxable employee pay. Employee pay is earned income only if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, is not earned income. But there is an exception for nontaxable combat pay, which you can choose to include in earned income, as explained below.
- Net earnings from self-employment.
- Gross income received as a statutory employee.

Following are detailed descriptions of many of the types of income that would be considered "earned income":

**Wages, salaries, and tips.** Wages, salaries, and tips you receive for working are reported to you on Form W-2 in box 1. You should report these on line 1 (Form 1040EZ) or line 7 (Forms 1040A and 1040).

**Nontaxable combat pay election.** You can elect to have your nontaxable combat pay included in earned income for the earned income credit. The amount of your nontaxable combat pay should be shown on your Form W-2 in box 12 with code Q. Electing to include nontaxable combat pay in earned income may increase or decrease your EIC.

**Net earnings from self-employment.** You may have net earnings from self-employment if:

- You own your business, or
- You are a minister or member of a religious order.

**Minister's housing.** The rental value of a home, or a housing allowance provided to a minister as part of the minister's pay, generally is not subject to income tax, but is included

in net earnings from self-employment. For that reason, it is included in earned income for the EIC (except in certain cases described in *Approved Form 4361 or Form 4029*, below).

**Statutory employee.** You are a statutory employee if you receive a Form W-2 on which the “Statutory employee” box (box 13) is checked. You report your income and expenses as a statutory employee on Schedule C or C-EZ (Form 1040).

**Strike benefits.** Strike benefits paid by a union to its members are earned income.

**Disability benefits.** If you retired on disability, the benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you were not disabled. You must report your taxable disability payments on line 7 of either Form 1040 or Form 1040A until you reach minimum retirement age.

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension, and are *not considered earned income*. Report taxable pension payments on Form 1040, lines 16a and 16b, or Form 1040A, lines 12a and 12b.

**Disability insurance payments.** Payments you received from a disability insurance policy for which you paid the premiums **are not** earned income. It does not matter whether you have reached minimum retirement age. If this policy is through your employer, the amount may be shown in box 12 of your Form W-2 with code “J”.

## **Income That is NOT Earned Income**

Examples of items that are not earned income include interest and dividends, pensions and annuities, social security and railroad retirement benefits (including disability benefits), alimony and child support, welfare benefits, workers' compensation benefits, unemployment compensation (insurance), nontaxable foster care payments, and veterans' benefits including VA rehabilitation payments. Do not include any of these items in your earned income calculations.

**Earnings while an inmate.** Amounts received for work performed while an inmate in a penal institution are not considered earned income when figuring the earned income credit. This includes amounts for work performed while in a work release program or while in a halfway house.

**Workfare payments.** Nontaxable workfare payments are not earned income for the EIC. These are cash payments certain people receive from a state or local agency that administers public assistance programs funded under the federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as: (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment is not available, or (2) community service program activities.

**Community property.** If you are married, but qualify to file as head of household under special rules for married taxpayers living apart (see *Rule 3*), and live in a state that has community property laws, your earned income for the EIC does not include any amount earned by your spouse that is treated as belonging to you under those laws. That amount is not earned income for the EIC, even though you must include it in your gross income on your income tax return. Your earned income includes the entire amount you earned, even if part of it is treated as belonging to your spouse under your state's community property laws.

**Nontaxable military pay.** Nontaxable pay for members of the Armed Forces is not considered earned income for the EIC. Examples of nontaxable military pay are combat pay, the Basic Allowance for Housing (BAH), and the Basic Allowance for Subsistence (BAS). See **Nontaxable combat pay election** in the Earned Income section above.

### **Household Net Worth**

Along with the participant's income eligibility, the **total household** net worth must not exceed \$10,000 excluding the primary home and **one** motor vehicle owned by a member of the household. Note: If an applicant is currently receiving TANF, you do not need to go through the net worth test. However, please note clearly in the file why you did not do the net worth test, and sign your comments.

The household net worth is calculated by:

- taking the sum of the value of all of the household's assets,
- minus the sum of all of the household's debts.

Determine the household net worth by following this three-step formula:

- Calculate the net worth (can be positive or negative) of each member of the household, and add them together.
- Subtract the market value of the household's dwelling unit if they own it.
- Finally, subtract the market value of one vehicle owned by any household member.

### **Age Eligibility**

**(Only applicable when using NM State Funds.)**

The State of New Mexico requires that an IDA Savings Partner be 15 years of age or older. The Federal AFI funds do not have an age requirement.

### **Resident & Citizenship Eligibility**

**(Only applicable when using NM State Funds.)**

The Savings Partner must be a citizen of the United States. The Savings Partner must also be a resident of New Mexico.

## Step-by-Step to Determining Eligibility

1. Provide the potential applicant with a checklist of items that s/he will need as part of the application package (on the web site). Answer as many questions up front as possible so that you receive a full and complete application package.
2. Review the application for completion; ensure that the applicant has marked each of the areas. Double check with the applicant that the address is complete and correct.
3. Use the Participant File Checklist to indicate what documents you are using to determine eligibility, and what documents are to be maintained in the file. Initial that you have reviewed and accepted the documents.
4. Review sources of income; double check that all household income is provided. If using tax forms, find the adjusted gross income, and use this as the annual income.
5. Review the assets and liabilities. Has the applicant been able to verify the debt (liabilities)? If not, you will need to pull a credit report, or have the applicant pull his/her own report, so that you can identify and verify that the debt exists.
6. Make clarifying notes regarding the applicant on the Participant File Checklist to explain your rationale in determining that the person was eligible. Initial and date your notes.
7. Enter the application into the web-based software.
8. Decide whether or not to move forward with enrollment.



## Section 5. Setting the Savings Plan & Opening the IDA

### Participation Agreement

The Participation Agreement (available on the Prosperity Works web site in the Partner section) is a form that must be worked through together between you and your applicant. Never just mail it to the applicant without having a conversation about the content of the form. It is vital that both you and your applicant understand what is in this form. Signatures are required, and must be on file. This completed form is a requirement of AFI, and must be in each file.

This form is used at the beginning of the application process. It allows the applicant to see the full requirements of the savings initiative before agreeing to open an account. **The saver should be given a copy of this form to keep in her/his records. *When you are coaching a participant that has violated one of the conditions of participating in the IDA opportunity, it is essential to draw the participant's attention back to the information that is included in the Participation Agreement.*** (*Please note: it is okay for your organization to modify this form in consultation with Prosperity Works. There are some disclosures that are included in the Participation Agreement that are required by various funders, and these must remain. If you wish to modify this agreement, please consult Prosperity Works.*)

When working through the Participation Agreement you are also working with the eligible participant to **establish their Savings Goal**. Although the rules allow us to match funds up to a total amount of \$4,000 for each saver, it is important that the saver set a goal that is based on need rather than the desire to achieve the full match. *Remember, the saver must be able to use all of the funds prior to the date that the grant expires.*

Excellent coaching is conducted when the Asset Coach starts with the saver's ultimate goal. For example, a business saver may need a total sum of \$2,000 to either launch the business or move it to the next level. With a need of \$2,000 at a 4:1 match ratio, the IDA Savings Partner's goal would be \$400 (to be matched by \$1,600 for a total of \$2,000). Education can be tricky, as well, because *the saver must be able to use the funds before the grant expires.*

Another example of the importance of working with the saver is coaching him/her through the budget exercise. How much can the saver afford (comfortably) to save each month? Using a simple Savings Plan Worksheet (available on the web site), the IDA Savings Partner is able to visualize how much will need to be deposited into the IDA each month to reach the savings goal. The saver is also able to pre-plan to use tax time as a means of depositing more into the savings account. **No more than 60% of the total amount to be saved may be deposited in one deposit** and still be considered "matchable". Anything in excess of 60% will be considered an over-save, or non-matchable savings. Remember, there may not be withdrawals made from this account without purchasing or requesting an emergency withdrawal that has very specific criteria. (See Emergency Withdrawal Policy on page 34.)

## **Determining the Savings Goal**

The Savings Partner determines the savings goal, *not* the Asset Coach. The Asset Coach works with the Savings Partner to help determine what may be affordable after a careful review of the household budget and household expenses. It is okay for a saver to have more than one goal, as long as the total sum of the match funds does not exceed \$4,000. For example, a saver may need \$2,000 for a new piece of equipment for the business, but may also want to save funds for a down payment on a house. The saver is able to have two IDA goals.

Purchase plans for each asset must be completed prior to requesting matching funds. Excellent coaching includes providing full information to the saver. As soon as possible, set up a coaching session to provide the format of the required purchase plan to the IDA Savings Partner. The sooner the saver begins working on the purchase plan, the better. *It is critical that the saver understand up front what the funds can and cannot be used for*, as well as how the payments must be distributed. Purchase Plans are discussed again in **Section 6**.

## **Home Ownership**

The primary project funder (AFI) accepts first time home buyers as eligible for a home purchase IDA. The only exception is if the Savings Partner has lost his/her home through devastation. In this case, the IDA can be used to partially finance reconstruction of the home. The qualified purchase costs cannot exceed 120% of the average area purchase price applicable to a residential purchase. The Savings Partner's savings, plus the savings match funds, must be dispersed to a vendor.

A **qualified first-time home buyer** is an individual who has had no ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence.

**Eligible use** of the IDA funds, i.e., "qualified purchase costs", means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.

Using IDA funds for earnest money -- or escrow hold back on mandated repairs -- in order to secure the purchase of a home is only allowable when there is a guarantee that those funds will not be lost if the sale of the home falls through. Generally, the funds are secure when receiving an FHA loan, or when an affordable housing developer is also the entity that is holding the earnest money or escrow. For these situations, contact Prosperity Works before moving forward so that we can ensure the use of the funds falls within the 'authorized uses' as stated by our funders.

IDA match funds may be used for homeownership (purchase or construction) in situations where the land is in some form of shared or common ownership, as in land trusts, reservation land, etc. You would, of course, want to be clear on what the IDA saver actually owns, and that whatever s/he owns is an asset that can be leveraged to build wealth. IDA funds will not be distributed until final closing, or once the home is completed and the Certificate of Occupancy is prepared.

There are many things to consider with a homeownership goal. A primary consideration is that a home, although an asset, also creates a long-term liability for the household. It is important to work closely with an agency that specializes in home ownership in order to help the Savings Partner purchase a home that is affordable over the years.

### Special Management Considerations with Homeownership

- Good credit is essential to mortgage-readiness.
- First-time home buyer training is an added resource for the Savings Partner, and should happen early in the process.
- Additional down payment assistance programs are available, and should be used to bring the long-term cost of the mortgage as low as possible.
- Verification of use of funds for purchase includes a copy of the executed HUD-1 statement, or equal document.

### **Business Capitalization**

**The eligible use of the business IDA account includes the expenses included in a qualified business plan**, including capital, plant, equipment, working capital, and inventory expenses.

IDA funds are made payable directly to a **business capitalization account** that is established in a federally insured financial institution. A business capitalization account is a business operating account (checking or savings) established at a financial institution. The financial institution will only open a business account with proof that a legal business exists – i.e., a business license, or corporate certificate if applicable.

This definition is very broad, making business IDAs one of the most flexible uses within this program. The business can be a start-up, retention, or expansion. The IDA can be used for capital purchases like equipment or real property. An IDA could also be used as “owner equity” if it is placed into a business account, thus providing a means by which the business owner could leverage a small-business loan.

The qualified business plan is a business plan that has been reviewed and approved by a Small Business Development Center (SBDC), a micro-enterprise development organization, or a financial institution that makes business loans. **The plan must include a description of services or goods to be sold, a marketing plan, and projected financial statements.** The financial section of the business plan should show the IDA funds and their use. A Business Plan Checklist (which can be found on the web site) must also be signed by the reviewer.

### Special Management Considerations with Business Ownership

- Good credit is essential to receiving a business loan and in opening business credit accounts with local and national vendors.
- The business plan development process can be lengthy and may take extensive training, as well as one-on-one assistance.

## **Post-Secondary Education**

The eligible uses of IDA funds are tuition, fees, supplies, books, and equipment that is required for the enrollment or attendance at an institution of higher education, or a post-secondary vocational education school that is certified under the Perkins Act.

The education IDA must be paid directly to the educational institution, and should follow the Education Plan which has been approved by an educational career counselor or internal staff qualified to work with life/family planning issues.

### **Special Management Considerations with Education**

- An Education Plan should include projected use of IDA funds.
- The asset-purchase check(s) must be written to the educational institution.
- Career counseling is an excellent support for education IDAs.
- Scholarships and financial aid will assist with the costs of education.

## **Exception Asset - Vehicle IDA**

This asset is allowed only in rare programs, and has unique guidelines. It is allowed and promoted only at the time of a program start up, and is detailed at the development of the MOA as an optional asset.

- No federal funds may be used for this asset.
- Matched at a 2-to-1 ratio. (Only local or state funds can be used for this asset.)
- Prosperity Works local funds will not be used for vehicle assets. Funds must be obligated by the agency.

## **The Length of the Savings Plan**

The length of time needed to save is primarily dependent on three things:

- The amount of savings necessary for the asset purchase.
- The amount that the Savings Partner can afford to save each month.
- The ending date of the grant.

It is the role of the Asset Coach to determine the cut-off date for Savings Partners to make deposits into the savings account. This becomes critical as the time limitations (the end of the grant period) for funding come closer. The Savings Partner must be able to spend their savings by the end of the grant period.

## **Dormant IDA Accounts**

Dormant accounts are addressed extensively in Section 6. They generally consist of:

- Bank accounts with no or few deposits.
- Saver has saved the money, but has passed the expected purchase date with no expected improvement. The coach should have contact with the saver to develop a

new current plan. Changes to the participation plan must be entered into the software, and confirmed to Prosperity Works.

Possible causes:

- House is not yet being built.
- Illness.
- Government shut-down.

### **Multiple Savings Goals**

It is okay for one Savings partner to have more than one savings goal. This does not mean that the match cap will be raised (there is a limit of \$4,000 that can be provided by the project for any one account). There are times when a Savings Partner may not need the full amount s/he is allowed to save to be applied to one goal. In this case s/he may have two savings goals that total the maximum amount of the IDA.

### **Changing a Savings Goal**

There are times when the original savings goal of the Savings Partner is no longer applicable. It is okay to change the savings goal. To change a savings goal, the Savings Partner should complete a revised Participation Agreement with an attached brief explanation of what led to the change in goals. Any changes must be added to the software. *Savers must know that they will now need to complete all requirements for the new goal selected, including a new Purchase Plan.*

This may also be applicable when a saver is unable to use the full amount saved, and wishes to cash out the balance. The savings goal must be changed, and the savings agreement updated to maintain a successful purchase.

The Asset Coach can, and should, make a judgment call regarding the reason the saver is changing his or her goal. Please review the savings behavior to date, as well as the Savings Partner's updated household budget (*important*), and help the Savings Partner determine if there needs to be a change in the monthly savings in order to meet the new goal.

### **Transferring Savings of IDAs to Family Members**

Sometimes a saver simply no longer needs the IDA funds. Although a transfer is not something that is promoted within the project, it is important for Asset Coaches to know that transfers of accounts are acceptable, as long as the recipient of the funds is eligible to participate. It is possible to transfer the savings and earned match to a family member, as long as the family member is a spouse or a dependent.

The reason for an account being transferred must be well documented in both of the Savings Partners' files. The person receiving the transferred IDA must still complete the program requirements, including personally completing financial education, completing a purchase plan, and ensuring that the 6-month savings period has been met.

These accommodations are made so that the Savings Partner is never “punished” for encountering life circumstances that happen to the average person. The household should benefit from the intent of the Savings Partner, even if the Savings Partner no longer has the need for the IDA savings plan.

### **Step-by-Step to Setting the Savings Plan**

1. Discuss the desired savings goal with the participant. Ask the participant if he/she knows how much is needed in order to purchase that asset.
2. Once the need is established or estimated, figure out how much the saver will need to save. At a 4-to-1 match ratio, you take the total amount needed and divide by 5 in order to get the saver's portion. Example: the saver needs \$2,750, divided by 5 = \$550. The saver needs to save \$550, which will be matched with \$2,200. Always coach the saver based on the saver's need, rather than the amount of funds available.
3. Review the Participation Agreements with the potential saver, clarifying any questions, and having the saver initial each section. Leave the savings plan portion blank until you are ready to complete it.
4. Work on a basic budget with the saver in order to determine how much the saver will be setting aside each month. Stress that the saver is able to update the budget once he/she has completed the financial education course.
5. Have the saver complete a Savings Worksheet to identify how long it will take them to reach the goal, and if they will need to make any tax time deposits.
6. Complete the Savings Plan portion of the Participation Agreement.
7. You and the saver must both sign the Agreement.
8. Give the saver a copy of the Agreement.
9. Move on at this point to opening the IDA account.

## **Opening the IDA Account**

Once the potential saver has established her/his goal and worked through a budget, it is time to open the IDA. The participant needs to understand that the Account Open Letter (available on the web site) will only be prepared when the saver is ready to actually make a deposit into the account. A minimum of \$10.00 is required to open the savings account.

- **Before completing an account open letter**, which will guarantee to the participant that they can open an account, you need to know that you have adequate match funds set aside for the saver.
- Complete the Account Open Letter, and ensure that the saver has signed the letter giving permission to open a custodial account in his/her name. **It is critical to have the saver's permission – in writing -- to open the account.**
- Make a copy of the Account Open Letter for your file, and fax a copy to Prosperity Works *before the saver leaves* to open the account. This informs Prosperity Works that there is a new account being opened, and provides the opportunity to double check the availability of account matching funds.
- The saver takes the Account Open Letter to one of the qualified financial institutions that have an active agreement with Prosperity Works.
- The Asset Coach immediately faxes a copy of the Account Open Letter to Prosperity Works. (See third bullet above.)
- **Exception:** Accounts that are opened at Wells Fargo Bank need to be processed through Prosperity Works. Please send the completed Account Open Letter to [ida@prosperityworks.net](mailto:ida@prosperityworks.net).
- Wells Fargo accounts that are open, have a \$0 balance, and have no activity for longer than 30 days, are subject to being administratively closed by Prosperity Works. (See Unclaimed Property and Dormant accounts in [Sections 4 and 5](#).)

The IDA is a **custodial account** between the Savings Partner and the legally responsible AFI grant recipient, Prosperity Works. As such, **two signatures are required** to remove funds from the account. **Please contact Prosperity Works immediately** if the Savings Partner needs to withdraw non-matched funds.

Prosperity Works has agreements with financial institutions across the state which offer savers' a choice on where they can open their accounts. However, if the financial institution you would like to work with is not one with which we have an agreement, please contact Prosperity Works to work with you in gaining an agreement with that financial institution agree to hold IDAs. An MOA that obligates the financial institution to comply with rules imposed by AFI needs to be in place before IDAs can be opened there.

## **Step-by-Step to Opening the IDA**

1. Have your now-eligible saver decide in which financial institution s/he would like to open the IDA. (Some locations do not have more than one choice.)

2. Complete the Account Open Letter, and ensure that the saver signs the custodial agreement and beneficiary designation.
3. Make two copies of the letter. Send a signed copy, or the original signed letter, to Prosperity Works immediately. Keep one signed copy (or the original signed letter) for the saver file. Give one copy to the saver. **Exception:** In the case of Wells Fargo accounts, let the saver know not to go to the bank. The account will be opened for the saver, and a deposit book will be sent to you to give to him/her.
4. Discuss with the saver how important it is to make the first deposit within 30 days of establishing the account. This is particularly important with Wells Fargo accounts that are opened with a \$0 balance. Stress to the saver to let you know when that account is opened, and when the first deposit is made.

If your saver is using Wells Fargo, it is essential to provide the following information:

- The saver must take his/her savings account number when making deposits. The accounts are not accessible to the bank tellers through the savers names since these accounts are all considered to be Prosperity Works accounts.
  - The saver will not be given account information at the bank, but may go through the coach who will contact Prosperity Works for the information needed.
  - The saver will not be authorized to set up automatic deposits or withdrawals.
5. Make a note to yourself to check up on the account. If there is not a deposit noted in the web-based software within 30 days, it is likely that the saver has not followed through on the account.
  6. Regularly check on the savings behavior of your participants. All bank and credit union statements come to Prosperity Works for input into the web-based software. Accounts are current after the 20th of each month. If the saver has made a deposit after the monthly statement cut-off date, the deposit will not appear until the next month's statements are entered.
  7. At a minimum of every 3 months (every quarter) you are required to send a statement to the saver that includes the value of the savings account, and the value of the match earned to date. (Best practice would be to do this monthly.) These reports are available through the web-based software. Include a copy of the statement that you send to your participant in the participant file. This is part of the auditing process.



8. If the saver has concerns regarding the financial institution account, such as a discrepancy in the balance, misspelled name, or not receiving a statement from the financial institution, please get the complete information from the saver and contact Prosperity Works to research the concern.

## Section 6. Coaching & Financial Education

### Coaching

It is the belief of Prosperity Works that all Savings Partners are whole and complete beings, and that they are the best resource for directing their own path. We do not case-manage IDA Savings Partners, however, we ensure that they have the information that they need to navigate a course to success. This mandates that the Asset Coach provide information to the saver regarding the record of deposits, and the relationship between the saver's bank balance and the savings plan that was originally created. When a saving plan is off course, the Asset Coach should contact the saver and re-connect him to the original goal. For example: *“John, your deposits have slipped over the past several months. Let's discuss the goal that you have been saving for, and determine if the timing to reach that goal has changed.”*

There are times when financial institutions mis-mark deposits. If the Asset Coach is not sending out savings statements with the earned match indicated, the saver may not know that there is a problem. *It is also a strong motivator to see the match that has been earned during the savings period.* AFI law requires that a savings statement showing the match that has been earned be sent to the saver a minimum of quarterly. (Best practice would be monthly.) These statements can be generated using the web-based software.

### Limitations -- Savings Standards

There are some minimal **savings standards** that must be met, and they are described below:

**Minimum Monthly Deposit.** The account needs to be opened with a minimum \$10 deposit. Monthly deposits are acceptable at whatever level the Savings Partner can accommodate. The focus is on consistent monthly savings not on the amount of the deposit. The Savings Plan will indicate the targeted amount of savings that a Savings Partner budgets for monthly deposits. Pay attention to missed deposits, which will throw the savings goal off balance. The saver may need a re-budgeting exercise, as well as a check-in to see that the asset can still be purchased before the grant expires.

**Minimum Savings Time.** “No individual may withdraw funds from an IDA earlier than 6 months after the date on which the individual first deposits funds in the account” (AFI Law, Sec. 410(d)). This applies when the Savings Partner desires to receive her/his match funds.

**Maximum Amount of Match from the Project.** No more than \$4,000 will be designated from the project funds to any one Savings Partner during the life of any one IDA in an AFI grant cycle. No more than \$8,000 will be designated from the project funds to any one household during the life of IDAs falling within any one AFI grant cycle.

**Number of Accounts Within the Household.** Any one household is able to open as many accounts as participants who are: (a) eligible to open; (b) have earned income to support savings; and (c) are able to utilize the funds by the end of the project period.

However, no more than \$8,000 of project match funds may be designated to any one household.

**Lump-Sum Deposits.** Participants are allowed to make deposits that are significantly larger than the projected monthly deposit as long as they do not exceed the 60% maximum lump sum deposit limit. Deposits over 60% will not be eligible for matching.

**Exceeding the Savings Limit.** The Savings Partner may exceed his/her maximum savings limit by any amount he or she chooses. However, the saver will not receive a match of more than \$4,000.

**Emergency Withdrawal Policy.** Family emergencies are a fact of life. If there is an emergency situation, and the Savings Partner needs to withdraw funds but still wishes to remain a Savings Partner, the Asset Coach should request an Emergency Withdrawal. The amount must be repaid within a year, and is limited to the following reasons:

- Foreclosure or eviction
- Living expenses in the event of job loss
- Medical and emergency expenses.

The Savings Partner may remain in good standing with the project, and has up to 12 months from the date of withdrawal – or less if the grant is close to expiring – to reimburse the IDA without losing the proportionate match funds. In the case of an emergency withdrawal, the Asset Coach will need to spend additional time with the Savings Partner to rework the household budget and review the monthly savings deposit goal.

## **Financial Management Education**

**The partner agency is responsible for the following:**

- Arrange for a financial education course to be available to the IDA Savings Partners.
- Advertise the class as open to the public, and recruit participants to receive financial management education.
- Arrange for adequate training facilities.
- Be an active and present “host” at each of the training courses.
- Maintain a sign-in log for each of the sessions, keep the log on file at the organization, and fax a copy of the log to Prosperity Works.
- Provide IDA orientation to the participants.

Prosperity Works is able to help the Asset Coach think through curriculum that is available and appropriate for their target market, as well as how to deliver financial education. **Every saver file needs to maintain a copy of a completed Self Advocacy Portfolio** (this may be found on the web site). The original should be left with the saver for ongoing reflection. This is the saver’s diary of decision-making during the financial management course.

## **Financial Education Standards**

The primary purpose of delivering financial management education services is to assist community members and training participants to develop personal and social assets, as well as financial ones. This is achieved through:

- Making the course open to the community at large – striving to reach a standard where at least 20% of the seats are filled with non-IDA-eligible participants;
- Holding the training over a course of time rather than in a couple of lump sum sessions;
- Bringing professional resources to the community members;
- Touching on banking, financial planning subjects, and risk assessments, as well as household budgeting;
- Maintaining a minimum absentee requirement of no more than two classes during a ten-week session;
- Individuals with a financial education certification older than three years must re-take the class. Implement additional tasks to hone the skills learned in the financial education class for those whose certification is more than two years old.

Consistency in the quality of the financial management education that is provided is essential to the commitment to our Savings Partners, as well as to our funders. Please talk with Prosperity Works if there are any questions regarding this requirement.

## **Six Core Elements of Financial Education**

Financial Education classes must meet Prosperity Works' requirements and guidelines. Classes will be from 16 to 20 hours of instruction, and will incorporate the Self Advocacy Portfolio. Following are the six (6) core topics that must be covered in every curricula:

- Financial belief systems
- Budgeting
- Debt reduction
- Financial products and consumer protections
- Significant life events
- Understanding the system of credit

## **Termination or Saver Withdrawal**

There are times when a saver must be terminated for non-compliance when s/he has refused to follow the rules of the initiative and are unresponsive to your coaching. There are also times when savers' life circumstances create a situation where it is better to withdraw from the savings opportunity than to stay in the program.

## **Step-by-Step to Termination or Saver Withdrawal**

1. Complete the saver's portion of the withdrawal form with the request for the full amount of the saver's funds. The form must be signed by the saver.

2. Request that the saver complete a Customer Satisfaction Form and Testimonial (optional, but encouraged).
3. Double check the saver's file to ensure that all documents are in order before terminating the saver.
4. Send the termination form to Prosperity Works for immediate processing. *In these cases you do not make a withdrawal request in the web-based software: you only submit the forms to Prosperity Works.*

Expect four (4) weeks before the saver's check is sent to your attention if it is not an emergency withdrawal. *Note: If this is an emergency for the saver, please call Prosperity Works and alert them to the situation.*

### **Dormant Accounts & Unclaimed Property**

It is critical that the Asset Coach and the saver maintain regular contact throughout the savings period. There are times when a saver has moved, or can no longer be communicated with, which results in the bank account becoming dormant. It is Prosperity Works' goal to keep dormant accounts and bank accounts with zero balances to as few as possible. Dormant accounts are handled as follows:

- If an account has NO deposits after 6 months of being opened, Prosperity Works may administratively close the account.
- If an account DOES have a balance, but has been dormant/inactive for 3 months, Prosperity Works will contact the Asset Coach. Prosperity Works will request information on the Coach's attempts to contact the saver. The coach should keep documentation of all attempted contact.
- After three months of trying to contact the saver, the Asset Coach must send a certified letter in another attempt to contact the saver and re-orient him/her toward the initial goal. Because the savings budget will be out of alignment, the Coach and Saver will need to rework the savings agreement.

At this point, if there is no response from the saver, the account changes from a dormant account to unclaimed property.

- If, after the three (3) months of attempting to contact the saver with no success, the attempts being documented, and the Asset Coach being unable to contact the saver in any way, the Asset Coach will notify Prosperity Works. The Asset Coach will continue to attempt contact a **minimum of once every month** for the next three (3) months. Contact will be attempted for a total of six months by the Asset Coach.
- Notification of loss of contact with the saver starts the 5-year dormancy-and-holding period required by the state. The saver's name will be put on the Inactive Accounts (With A Balance) List.
- After 6 months of no contact and no account activity, the Asset Coach will send another certified, return receipt requested letter with completed withdrawal forms to the saver to inform him/her that they have money in the account, but that they will

be withdrawn from the program. The Asset Coach will inform Prosperity Works of the saver's contact information if the receipt from the mailing returns with a different address.

- If there is no response after a certified letter is sent, and another 3 months of attempted contact is made by Prosperity Works (a minimum of once a month for one (1) year total), withdrawal forms originated from Prosperity Works will be sent to the bank requesting that the balance be issued to Prosperity Works, where it will be deposited into an Unclaimed Property account with a notation of the saver's name. (Some banks will not allow this, as they will need the saver's signature as well.)
- Once the saver's funds have been deposited into the Unclaimed Property account, attempts will be made by Prosperity Works to locate the saver once every year to fulfill the five years required by the state.
- After five years of no communication to either the Asset Coach or Prosperity Works, Prosperity Works will add the saver's name to the list of names on the Unclaimed Property report, and the funds will be turned over to the State of New Mexico Unclaimed Property Department.

## Section 7. Asset Planning and Purchase

Asset-based **planning** should begin immediately after the Savings Partner opens his or her IDA. It is important for the saver to have sufficient time to save, build credit, and prepare an adequate and thoughtful Purchase Plan. Unless your organization specializes in the asset that your saver wants to purchase, you will be referring your saver to a partner in the community to assist with the Purchase Plan. The amount of time involved in developing the Purchase Plan is dependent on the Savings Partner's progress through the plan.

Sample Purchase Plans are available on the web site. The Purchase Plan must contain a description of the proposed asset, and the estimated value of the asset.

### **Home Ownership Plan**

Unless there is an unusual situation in securing the resource, the Savings Partner should receive home ownership counseling from a HUD Certified Home Ownership Counselor. This process is best initiated through an introduction to home ownership orientation (or first-time homebuyer training).

### **Business Plan**

Participants involved in business ownership will be working on their business plan throughout the term of their savings. Business development training courses are available through Small Business Development Centers (SBDC); online through many micro-enterprise lending organizations; and from several private sources. The end result of the training needs to be a qualified business plan, which is approved by "a financial institution, a micro-enterprise development organization, or a nonprofit loan fund having demonstrated fiduciary integrity" (AFI Law). The business plan must include financial projections--**no exceptions.**

The Savings Partner's file must have a signed business plan check list, indicating that the business plan has been reviewed and approved by a qualified entity. A copy of the signed business plan check list, or a letter from a qualified business review organization, must be submitted to Prosperity Works along with the Request for Asset Purchase.

### **Education Plan**

Depending on the Saving Partner's goals, helpful educational training could include career and vocation planning, information and assistance on financial aid and scholarship opportunities, guided tours of local universities, and basic computer training. Many higher education schools and training institutions employ counseling and financial aid staff to work with prospective students and to help them plan for the future.

An education IDA must be used at an institution that falls under the U.S. Higher Education Act, or the Carl Perkins Act (information on this is available at <http://ope.ed.gov/accreditation/Index.aspx>). The quickest way to determine if the institution that your saver will attend falls under either of these acts is to ask if they accept federal financial aid. If it does not, it is not a qualified educational institution. *This is an important piece of information to let the saver know immediately when they sign up for the IDA.* The

saver is responsible to know if the educational institution will accept federal aid, and the Asset Coach is responsible to make certain that the saver knows that this is a condition of the use of funds.

### **Exception – Restricted Option**

***There is one rare exception of an asset option.*** Vehicle assets can be saved for with local match money only. Federal funds cannot be used, so individuals can only do a 2-to-1 match, unless the agency wants to provide additional local match funds to make up for the lack of federal funds.

### **The Asset Purchase**

Asset-purchase-readiness should not come as a surprise to the Asset Coach or the saver. You have full access to software that reports the savings behavior of the participant, and forecasts when they will achieve their savings goal. The Savings Partner should have become engaged in asset purchase planning early on in the savings process.

### **Fulfilling Project Requirements**

The following four requirements must be met before a Savings Partner can withdraw match funds:

- S/he must complete the Self-Advocacy Portfolio;
- Have graduated from the financial education course;
- Six months need to have elapsed from the first savings deposit; and
- A Purchase Plan must be approved.

### **Preparing for Purchase**

**Each purchase requires verification that the Savings Partner is ready for that purchase. When completing the Withdrawal Request, you must be able to verify that the saver will purchase their asset.**

**Education:** Enrollment verification, or an invoice from the institution or the book store, or receipts from the institution or book store.

**Business:** Has the saver received a business license? Opened a business bank account? Has the business plan been signed by the SBDC or other qualified/compatible agency?

**Home Ownership:** Has the saver completed a settlement statement that shows all the costs associated with the home purchase? Is there a Good Faith statement, or a settlement statement with the address of the home for verification? Are there copies of closing documents?

### **Requesting Match Funds**

**Allow a minimum of four (4) weeks to process the Withdrawal Request. The withdrawal request should happen in person between you and the saver. It is important to understand the amount of time necessary to process the withdrawals,**



**and to not be the cause of the saver missing out on a home purchase or a chance to get into those once-a-year educational courses.**

The process for requesting funds for the withdrawal follows:

- The saver's request must include a signature from the saver on the authorized Withdrawal Form (on the web site).
- Submit a correctly completed withdrawal packet to Prosperity Works.
- The fund request is then sent from Prosperity Works to the saver's financial institution.
- Prosperity Works then completes a withdrawal form for the match funds in the reserve account.
- The coach will receive two checks – one in the amount of the saver's portion, and one in the amount of the match portion. Note: Interest accrued will also be matched, so the checks may be for an odd amount.
- The checks will be sent directly from the bank to the Asset Coach, who is then responsible for getting them to the saver.
- The saver needs to sign off that he/she has received the checks. Use a separate form for each check (available on the web site).
- The saver must submit the match check to the payee within six months. Match checks will be cancelled at the six-month mark, and the money will be returned to the IDA program. The saver will be logged as an unsuccessful purchase. Checks made from the saver's account will be monitored by the individual's banking institution's guidelines.

### **Multiple (Partial) Withdrawals**

IDAs are a tool to help someone achieve an asset, as well as manage their finances. This tool is best used when it is flexible, and when it can truly meet the needs of the Savings Partner. Multiple withdrawals are allowed. However, making multiple withdrawals will impact the time it takes to manage the account, and will require more pre-planning and oversight than one lump-sum withdrawal.

### **Step-by-Step to Asset Planning and Purchase**

1. Stress to your saver throughout the course of the savings how important it is for her/him to manage the savings timeline, and the point at which s/he will need the IDA funds. Stress that a purchase request takes **4 weeks** to process, assuming that there are no questions related to the purchase. **HINT:** It is helpful to include a note on the savings report that you send to the saver on a monthly/quarterly basis when you notice that the saver is getting close to the established savings goal.
2. Check with the saver that he/she has completed the Purchase Plan, and that the plan has been reviewed. In the case of a Business IDA, the Purchase Plan review

sheet must be signed by a certified SBDC or micro-enterprise organization, or a financial institution.

3. Review the requirements of the Withdrawal Request Form with the saver. Make certain that the saver understands the requirements that are related to his/her asset. – for example, enrollment or acceptance in a school; having a valid business bank account; receiving the HUD settlement statement or Good Faith statement on the pending home purchase. Note: If you have any questions regarding the validity of the withdrawal request, call the NMAC Director at Prosperity Works immediately. Work through issues before you complete the form and send it to Prosperity Works.
4. Review the saver's file. Check to see that you are not missing any documentation that is required before purchase. Make certain that all forms have been signed, and that proof of eligibility is in the file.
5. Prepare the Withdrawal Request Form with the saver. Explain anything that needs explanation, and initial all comments. Let the saver know that the savings will come in two checks and will be sent to you for distribution to the saver.
6. Encourage the saver to complete the Customer Satisfaction Survey and Testimonial, which is included in the Withdrawal packet, and ask him/her to complete the survey and return it either to you or directly to Prosperity Works. This is an optional action, but please encourage the saver to help Prosperity Works secure continued support by providing the survey.
7. Scan, fax, or mail the completed and signed Withdrawal Request Form to Prosperity Works (909 Copper Ave., NW, Albuquerque, NM 87102; fax number (505) 200-0456; or send electronically to [ida@prosperityworks.net](mailto:ida@prosperityworks.net)). File the original withdrawal form in the saver's file.
8. **Allow 4 weeks** to receive the checks once the withdrawal form is accepted as complete and correct. If you have not received them by 4 weeks' time, contact Prosperity Works to check on the progress.
9. Once the checks are received, call the saver and set up a time for the saver to receive the checks. Have the saver sign the Check Receipt form (on the web site). This form verifies that the saver has received the checks. Please send a copy(ies) of the Check Receipt form (one form for EACH check received) to Prosperity Works (909 Copper Ave., NW, Albuquerque, NM 87102; fax number (505) 200-0456, or electronically to [ida@prosperityworks.net](mailto:ida@prosperityworks.net). This allows Prosperity Works to start the closing process of the IDA file.

10. Celebrate a successful withdrawal!!

**Returning Checks If a Saver is Unable to Use One Or More of Them**

Fill out the Check Return form (available on the web site) for each check that could not be used. Please mail each check, and its corresponding form, to the Prosperity Works' office at 909 Copper, NW, Albuquerque, NM 87102. Prosperity Works will redeposit the checks into the corresponding accounts. This process should be done as soon as possible. By not addressing the unused checks early, the saver may have additional difficulties getting new checks re-issued. Reminder: the saver must submit the match check to the payee within six months. Match checks will be cancelled at the six-month mark.

## **Section 8. Site Management Agreement**

Acknowledgment of having read these procedures, and agreeing to follow these procedures, is required prior to Prosperity Works approving funds for match disbursement to your Savings Partners.

The Site Management Agreement on the following page ensures your organization's full commitment that the staff member assigned to serve as the Asset Coach will read, clarify questions, and agree to follow the policies and procedures of this document. This commitment also ensures the organization's Executive Director's commitment to comply with the operating procedures of the New Mexico Asset Consortium operated by Prosperity Works.

Please review this form, make a copy of it, sign it, and return it to the Prosperity Works office at 909 Copper Ave, NW, Albuquerque NM 87102. The document may be faxed to us at 505-200-0456, or scanned and sent to [ida@prosperityworks.net](mailto:ida@prosperityworks.net).

A copy of this document follows on the next page:

## **Site Management Agreement**

I commit to reading the Individual Development Account Procedures Manual (updated October 2016) which provides guidance and instruction to the members of the New Mexico Assets Consortium.

I commit to reviewing the forms associated with the Individual Development Account Procedures Manual.

I agree to abide by the procedures within the manual. If my organization works outside of these procedures, I understand that Prosperity Works is under no obligation to fulfill the terms of my organization's commitment to an individual who opens an Individual Development Account.

Prosperity Works has the right to terminate its agreement with my organization if I fail to complete the minimum file management and IDA Savings Partner management activities related to this initiative.

I understand that annually a member of the Prosperity Works staff will conduct an internal review of Savings Partner files that are kept on site at my location. This review is to ensure consistency of project records throughout the statewide initiative, as well as compliance with funding sources. I will provide full access to the files that are maintained on site.

\_\_\_\_\_  
Name of Organization

\_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Assigned Asset Coach

\_\_\_\_\_  
Date

\_\_\_\_\_  
Associated IDA Staff Member

\_\_\_\_\_  
Date

For Prosperity Works and the New Mexico Assets Consortium

\_\_\_\_\_  
Monica Cordova, Director, NMAC

\_\_\_\_\_  
Date

# **ADDENDUM**