

AFI

# Assets for Independence

Helping Low-Income Students Save for Postsecondary Education

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# Assets for Independence: Program Overview

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# Assets for Independence (AFI)

Special federally funded 5-Year projects that enable accountholders to ...

- **Learn** about financial and consumer issues
- **Save** in Individual Development Accounts (IDAs)

In order to ...

- **Acquire** postsecondary education; a first home; or start or support a small business

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# Individual Development Accounts (IDAs)

```
graph TD; Save[Save] --> Transform[Transform to Assets]; Transform --> SelfSufficiency[Self-Sufficiency]
```

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# Assets for Independence (AFI)

AFI IDAs match savings from \$1 to \$1 to \$8 to \$1, with most programs providing a \$2 to \$1 match.

- Specialized savings account help low-wealth Americans acquire an asset. Savings are matched by host agency
- Encourage regular savings
- Accountholders receive financial education and asset-specific training to prepare them for their asset purchase and retention

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# The Value of Education IDAs

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## Impact of IDAs on Low-Income Students' Financial Aid

**Myth:**  
Low-income students and their families can not save for college.

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## AFI Outcomes

- Low-income people can and do save
- Over 62,000 low-income families have saved \$54.5 million in IDAs
- Since 1999, more than 542 AFI projects have been implemented by 325 organizations nationwide
- 24,000 asset purchases: 8,800 home purchases, 6,300 small business starts or expansions, and 7,400 education acquirers

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## Post-Secondary Education IDA Outcomes

- Education helps families break the cycle of poverty
- More education yields higher earning power, more purchase power, and higher tax revenues
- Educated workforce attracts new business to community

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## Impact of IDAs on Low-Income Students' Financial Aid

**Myth:**  
With the high costs of post-secondary and higher education, a \$4,000 IDA is too small to make a difference.

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## Low-Income Students and Education Costs

- After Federal grants are considered, the typical gap funding for Pell Grant recipients is over \$3,500 after all aid received, including student loans
- AFI IDA Programs help make postsecondary education attainable for low-income students

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## Impact of IDAs on Low-Income Students' Financial Aid

**Myth:**  
Low-income students will be penalized if they save for college because they will receive less financial aid.

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### Impact of IDAs on Low-Income Students' Financial Aid

- IDA funds generally have no impact on the financial aid of families and students with income less than 200% of the poverty level
- AFI IDA Savings Account is a protected asset

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### Impact of IDAs on Low-Income Students' Financial Aid

- AFI IDA Savings Accounts are exempt as an asset for determination of entitlement grants such as Pell and state funds
- Other IDAs held in the name of a dependent student's parents or independent student are protected through the FAFSA zero or simplified needs test and/or asset protection allowance for IDA eligible families.

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### Qualified AFI Post-Secondary Institutions

- Students may use their AFI savings and matched funds at qualified institutions
- Qualified postsecondary institutions are colleges, universities, or vocational schools defined by the Higher Education Act or by the Carl D. Perkins Vocational and Applied Technology Education Act

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### Impact of IDAs on Low-Income Students' Financial Aid

Myth:

TRIO Programs already help low-income students.

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### AFI and TRIO Programs

- AFI can often complement TRIO activities
- While TRIO is a comprehensive support program, AFI provides financial education and additional funding for college
- Pairing an AFI IDA Project with a TRIO Program provides more services and funding opportunities for low-income students

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### Qualified AFI Expenses for Postsecondary Education

- Course fees
- Books and supplies
- Test fees
- Costs of courses for preparations for professional licensing examinations
- Special equipment, including a computer and software
- Tuition and fees (associated with enrollment or attendance at the school)

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## Earned Income Requirements

- Students can save their own earned income from:
  - Work-Study
  - Summer Jobs
- Parents can also save their own earned income in IDAs for their dependent children

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## Earned Income Requirements

- Students can begin saving in high school and continue saving in college
- Remember—An asset must be “purchased” within a 5-year timeframe and savings must be from earned income, so it is not feasible for students to start saving earlier than high school

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## Participants’ Perspective

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## Education IDA Example: “Guadalupe”


- Guadalupe wants to send her daughter, Iris to college
- She takes courses in Financial Education, debt counseling and training
- Match rate of \$4 for every \$1 saved in his IDA
- Guadalupe saves \$1,500 -- \$50/month over 30 months

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## IDA: An Education Example

Iris begins at Community College with the help of her mother saving \$50/month.

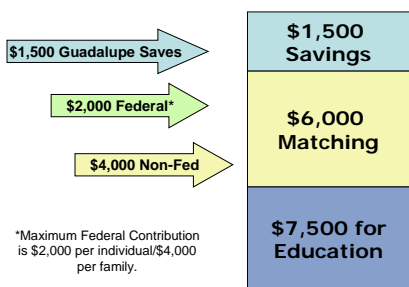


Date	Event
December 2007	Iris began school in September. Guadalupe wants to make sure she stays in school. She begins saving \$50 per month
June 2008	Guadalupe has saved \$300 and earned \$1,200. She can spend up to \$1,500 on school. Iris spends IDA funds every semester for tuition, fees and books.
December 2009	Guadalupe saves another \$300, earns \$1,200 and Iris spends the \$1,500 on semester 3.
August 2009	Guadalupe saves \$400 and earns \$1,600. Iris spends \$2,000 on semester 4.
June 2010	Iris graduates! She has no student loans and learned valuable savings behavior from her mother. Iris begins to work! She saves \$500 and earns \$2,000 to begin 4-year university in September.

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## Guadalupe’s IDA



\*Maximum Federal Contribution is \$2,000 per individual/\$4,000 per family.

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## Planning an AFI Project

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### Eligible AFI Applicants Include:

- Public and State-controlled institutions of higher education
- Historically Black Colleges and Universities (HBCUs)
- Private institutions of higher education
- Tribally Controlled Colleges and Universities (TCCUs)

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### Organizations Involved in AFI Include:

- **Schools, colleges and universities;**
- Community Action Agencies (CAA);
- Community Development Corporations (CDC);
- Financial institutions such as credit unions and Community Development Financial Institutions;
- Faith-based and community organizations;
- State, local and Tribal government agencies;
- Service and fraternal organizations; and
- Consortia or groups of organizations that collaborate to administer an AFI project

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### Additional AFI Eligible Applicants and Potential Partners:

- State governments
- County governments
- Local Governments
- City or township governments
- Regional Organizations
- Independent school districts
- Indian/Native American Tribal governments (Federally recognized)
- Indian/Native American Tribal organizations (other than Federally recognized)
- Indian/Native American Tribally Designated Organizations
- Public/Indian Housing Authorities
- Non-profits with 501(c)(3) IRS status (other than institutions of higher education)
- Hispanic-Serving Institutions
- Alaska Native and Native Hawaiian Serving Institutions
- Special district governments

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## Partnerships

- Partnerships between organizations are key to successful AFI IDA Project
- Types of AFI Partnerships Include:
  - Multi-purpose non-profits that provide a menu of services for low-income families (single agency)
  - Public/Private Partnerships including state, local or tribal governments
  - Multi-site networks (such as AFI Projects across multiple college campuses)

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### Partner Roles: Beyond Funding

- Partnerships are critical beyond project funding
- Partners can provide critical support for:
  - Recruitment
  - Financial education & asset training
    - Microenterprise business plans, cash flow analysis
    - Credit counseling
    - Housing counseling
  - Holding IDAs and project reserve fund
  - Other services

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**Funding**

- Five-Year Project Grants
- Must have firm commitments of cash support from nonfederal sources.
- The commitments must be equal to or greater than the Federal grant amount requested.

Federal Grant \$100,000

Non-Federal \$100,000 (Cash only)

**PROJECT RESERVE FUND**  
\$200,000  
*Held at an insured financial institution*

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**Sources of Non-Federal Funds**

- Financial Institutions and their foundations
- State and Local Governments
- Tribal Governments
- United Ways
- Foundations (Local, Regional)
- State/Local Tax Credits
- Individuals/On-Line Donations
- Fundraising
- Locally-based Corporations/Employers
- Individuals
- Places of worship
- Federal Home Loan Banks
- Community Development Block Grants (only allowable Federal funding source—City or State Government with access to redirect)

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**Allowed Uses of Project Reserve Funds**

- At least 85% to match IDA savings
- Up to 13% for financial education and other project costs
- At least 2% for data collection

Savings Match     Data Collection  
 Econ Education     Other Admin

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**IDA Matching Structure**

- IDA Savings Match Rates can range from
  - \$1 match for \$1 earned income saved
  - \$8 match for \$1 earned income saved
- Maximum amount participant can save and be matched may vary
- Maximum Federal Contribution
  - \$2000 per individual
  - \$4000 per household

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**Participant Eligibility**

- TANF eligible OR
- EITC eligible or annual household income less than twice poverty (about \$44,000 for family of four)

AND

- Net worth less than \$10,000, excluding value of a residence and one motor vehicle per household
- Administering agencies may have additional requirements

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**AFI Resource Center**

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## Request for Proposals: AFI Grants Overview

- Remaining FY 2010 application cycles
  - March 25, 2010
  - June 25, 2010
- Up to \$1,000,000 (average \$350,000)

Funding Announcement:

<http://www.acf.hhs.gov/grants/open/HHS-2008-ACF-OCS-EI-0053.html>



## AFI Resource Center Contact Information

Phone: 1-866-778-6037

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

Web: <http://www.acf.hhs.gov/assetbuilding/>  
<http://www.idaresources.org>

Funding Announcement:

<http://www.acf.hhs.gov/grants/open/HHS-2008-ACF-OCS-EI-0053.html>

