

## Basic Needs: Individual Development Accounts (IDA's)

### Position Statement approved by One Voice: March 9, 2007

**Issue/Concern:** The Individual Development Account (IDA) program provides matched savings accounts and financial literacy training to assist low-income individuals and families with asset accumulation in order to promote economic independence. IDA's are established in insured accounts in qualified financial institutions and the funds are intended for specific savings goals such as: home ownership, post-secondary education, small business startup.

IDA legislation has been introduced in the Texas Legislature as SB 62 (Zaffirini) in the Senate and as HB 939 (Naishtat) in the House. If passed, it would provide \$2 million in state funds that IDA programs could apply for. If approved, these funds could be used as the matching funds required to access the Assets for Independence (AFI) funds. Here is a link to the legislation:

<http://www.capitol.state.tx.us/BillLookup/History.aspx?LegSess=80R&Bill-SB62>

### Specific Policy Recommendation(s):

- ★ Support legislation and funding for Individual Development accounts (IDA's) in Texas, to enable access to matching federal funds, and to help build assets for low-income individuals and families.

**How does this issue/recommendation relate to prevention and early intervention or maximizing federal funds for health and human services?** Enactment of the legislation would allow the state to draw down \$2 million in matching funds from the federal Assets for Independence program. <http://www.acf.hhs.gov/assetbuilding/assets/html>

**Supporting Facts/Research/Resources:** The ability of low-income households to save money and purchase assets to become more self-sufficient is often limited. However, well run IDA programs have a proven track record of success in promoting self-sufficiency, encouraging saving, addressing emergencies, and accelerating asset purchases among working families. Asset building strategies like IDA's improve the economic stability of citizens while also expanding the state's tax base. For every \$1 invested in an IDA, approximately \$5 is returned to the economy through new businesses, additional earnings, new or rehabilitated homes, reduced welfare expenditures, and greater educational attainment (Source: Center for social Development, 2006). Since 2001, Texas IDA programs have generated over \$50 million in net worth of asset purchases. Yet our state still lags behind in several key areas:

- ★ Nearly 20% of Texas households have zero net worth
- ★ Nearly 27% of Texas households do not have sufficient net worth to subsist at the poverty level for three months, ranking Texas 43<sup>rd</sup> in asset poverty
- ★ Less than half of Texans have a savings account
- ★ Texans have the lowest average credit scores in the nation
- ★ Texas ranks 42<sup>nd</sup> in the rate of homeownership
- ★ Texans have an average net worth of \$34,500, ranking 48<sup>th</sup> nationally

**Legislative Outcome:** SB 62, which would have authorized the creation of a statewide IDA program passed the Senate, but did not get through the House.

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The Center for Success and Independence  
The Arrow Project  
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