



# THE **PROSPERITY** AGENDA

PRELIMINARY RESULTS OF THE SAVINGS INITIATIVE STUDY

## Focused & Limited:

A report of the state of savings initiatives for low-income individuals in Washington State

June 30, 2014

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# Introduction

Asset-building research shows that 44% of households will not have saved sufficient money to be prepared for an emergency or to manage basic household expenses for three months if their source of stable income were lost.<sup>1</sup> Various incentives, including matched savings programs as well as low-cost bank accounts for the unbanked, have been implemented to encourage low-income families to initiate savings behavior, but initiatives have been met with differing patterns of participation and success. Building personal and family assets, including a regular means of savings, has been described as essential for low-income families to be able to weather short-term emergencies, such as vehicle repair, and to take steps toward financial security.<sup>2</sup> This wealth-building research contributed to The Prosperity Agenda's initiation of a multi-year project to explore the currently available resources for savings and to develop future community partnerships and opportunities that enhance and expand savings initiatives for low-income families. With funding from the Paul G. Allen Family Foundation, The Prosperity Agenda launched the first phase of a study in January 2014 with the following objectives:

- ▶ Identify existing savings programs and initiatives for low-income individuals in Washington State
- ▶ Categorize these savings programs by identifying their focus and target populations
- ▶ Describe the emerging results of savings initiatives, including participant outcomes
- ▶ Document effective practices that contribute to positive financial behavior and identify promising new practices
- ▶ Identify locations with gaps in savings opportunities or no savings opportunities available

## Project Approach

The Prosperity Agenda located current savings programs by reaching out to community action agencies, local asset-building coalitions, non-profit organizations, state associations and offices, and asset-building advocates across the state. We used six strategies to identify a wide range of agencies and individuals to contact. We further expanded the number of potential interview subjects by using emergent sampling and adding new contacts who were suggested during interviews. To date, 67 individuals contributed ideas about the state of savings initiatives and/or suggestions for future savings programs (see list of interviewees in Attachment A). In addition to

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<sup>1</sup> CFED. Assets and Opportunity Scorecard. Accessed online at <http://scorecard.assetsandopportunity.org/2013/measure/liquid-asset-poverty-rate>

<sup>2</sup> McKernan, S., and Ratcliffe, C. (2008) Enabling Families to weather emergencies and Develop: The role of Assets. Urban Institute: New Safety Net Paper 7. Accessed online at: <http://community-wealth.org/sites/clone.community-wealth.org/files/downloads/paper-mckernan-ratcliffe.pdf>



individual and group interviews that were conducted in-person or by phone, an online survey was sent to 96 members of the Washington Financial Education Network to collect additional input on asset-building programs and future priorities. The 11 survey responses received have also been included in this discussion of savings initiatives and programs for low-income individuals in Washington.

The responses and information are being compiled and analyzed to produce: (1) a searchable map highlighting the savings programs locations and descriptions, (2) a guide on the status of savings initiative by type, location, results, and other features, and (3) recommendations for developing and sustaining promising savings initiatives to reach more populations. The project map is being developed and will be accessible late in 2014. This document is the preliminary guide to the state of current savings initiatives, and it will be revised when the results of a number of matched savings programs become available. The document about the state of savings initiatives will be shared in future asset-building community forums in order to elicit recommendations to promote savings initiatives and programs and generate resources and partnerships. With this preliminary document and through the upcoming community forum process, the Savings Initiative will continue The Prosperity Agenda's dual-focused efforts: (1) to inform leaders in the asset-building community about the resources and programs that are being offered to many different groups and individuals in regions across the state, and (2) to generate interest in future partnerships and collaborations that develop resources to increase savings among low-income individuals.

## Overall Project Findings

The interviews with contacts at community action agencies, state and local asset building coalitions, private foundations, non-profit organizations, state level agencies, and human service organizations led to the identification and description of several types of savings programs for low-income participants, including primary savings programs as well as those devoted to financial education and debt reduction or credit-building programs with a secondary emphasis on savings.

- ▶ Interviewees from state and local asset-building coalitions expressed interest in the responses from other representatives of the asset-building community. They requested information about the locations of successful savings efforts designed to reach low-income community participants and the results of these and other savings programs.
- ▶ Interviewees most commonly cited variations of matched savings programs, including Individual Development Accounts (IDAs), as tools for low-income individuals and families.
- ▶ Individual Development Account programs, which are included in this report, are focused on serving low-income groups bound by geography, age, or other participant characteristic, and are restricted by available resources, thereby limiting their scope.



- ▶ Many regions offer asset-building programs, which include financial education and address financial behavior (such as decreasing debt) with a secondary focus on initiating savings accounts.
- ▶ People in some locations across the state experience limited access to programs, sometimes due to geographic isolation from a matched savings program or an incentivized savings opportunity.
- ▶ Many seasoned agency program managers indicated limited savings opportunities for low-income families. They added that many previously available Individual Development Account (IDA) programs are no longer offered, further reducing savings options.
- ▶ Experienced financial institution representatives and human service program managers who currently conduct savings programs or who have previously conducted savings programs (such as IDAs) indicated that motivating low/fixed-income individuals to initiate and maintain savings is very challenging.
- ▶ Program managers in human service programs cite the withdrawal of state funding and the challenges of procuring local funding for the discontinuation of IDA programs. Programmatic factors and the limited responses of potential participants also contributed to a decrease in IDA programs in recent years.
- ▶ Current providers of financial education expressed interest in collectively identifying approaches to encourage low/fixed-income recipients to start saving.
- ▶ Financial educators, program managers, and other providers selected many features that they would include to make future savings programs attractive for low-income clients to start savings behavior. These features include frequent incentives, limited access to a short-term partial savings withdrawal, and regular reminders and contact with a case manager who explains progress to the saver.

## Existing programs and their locations

### Matched Savings Programs

Most matched savings programs designed for low-income individuals were funded by either the Assets for Independence (AFI) federal funds for IDAs or other private funders. The key features of these two types of matched savings programs, including their limited geographic reach, are highlighted below.

### Individual Development Accounts (IDAs) with AFI Funding

Assets for Independence (AFI) is a Federal program administered by the Department of Health and Human Services (HHS), Administration for Children and Families (ACF), and Office of Community Services (OCS), and it is designed to help low-income individuals achieve self-



sufficiency. Individual development accounts (IDAs) are matched savings programs that mandate hours of general and asset-specific financial education. To qualify for an IDA program, individuals must meet AFI income guidelines. Program providers may also stipulate other eligibility criteria, including a regular source of earned income, a bank account, completion of pre-program screening, and residence in a certain geographic location (e.g., within a county). Participant savings in these accounts are matched at different ratios depending on the program. For instance, the SHARE IDA Program matches at a 1:1 ratio, and the Taala Fund IDA matches at a 6:1 ratio for approved purposes. These approved purposes typically include costs for education, housing down-payments, or purchases of business equipment. For example, if a participant has saved \$1,000 and the match is 3:1, that participant will actually have \$4,000 to put toward an approved purpose, such as paying for tuition or making an investment in business equipment.

### AFI-Funded IDA Programs Located in Western Washington

Six IDA programs are offered by different non-profit organizations that receive grant funding from the Assets for Independence (AFI) funds as well as other private sources. All six AFI-funded programs are located in western Washington: Washington CASH in Seattle (serving primarily residents in western Washington), SHARE in Vancouver (Clark County), Confederated Tribes of Chehalis (in Chehalis), Grays Harbor County IDA (Grays Harbor County), Taala Fund (serving the Quinault in Jefferson and Grays Harbor Counties), and the Diocese of Seattle Refugee IDA (serving residents in King County and western Washington).

These IDA programs are geographically inaccessible to eastern Washington residents, particularly those who need in-person assistance. However, participants in the Washington CASH, Chehalis, or Taala Fund IDA may move out of the western region and continue saving with their IDA. The six AFI-funded IDA programs have aimed to reach different populations and demonstrated varied success in engaging participants, as shown in Table 1 in Attachment B.

### Capacity of AFI-Funded IDA Programs

In 2013, for example, 133 individuals enrolled in these six IDA programs. However, the programs served a total of 196 clients that year as a result of the 12-24-month program cycle. For instance, some clients enrolled in 2012 were continuing in a program in 2013.

Grays Harbor County's new AFI-funded IDA program (GHCIDA), which started at the end of 2013, has reached capacity at 34 enrollees with others on a waitlist. GHCIDA receives many requests and works cooperatively with the Taala Fund to identify Native American students who might be interested in and eligible for the Taala Fund IDA. In contrast, the IDA for the Confederated Tribes of Chehalis has not been able to enroll any participants because Chehalis members receive a relatively high per-capita annual income from their successful tribal investments. These local residents do not meet program income eligibility. The Taala Fund with the Quinault Indian Nation currently serves five adult participants who saved for small business expenses. The Taala Fund also offered a six-week summertime children's IDA, which included age-appropriate money-management lessons for groups of elementary through high school-



aged students. At the end of the six-week period, in August 2013, families received a 2:1 match for their saved amounts of \$60 or \$120, which they used to purchase school clothes, shoes, or school supplies.

The Washington CASH IDA program is open exclusively to clients who have completed the Washington CASH Business Development Training, so this resource is not accessible to clients who seek matched funding and are in the early phase of exploring business ideas. However, because cohorts of participants are enrolled after completing training, this Washington CASH program currently serves 86 participants, including participants who are actively saving to make purchases in 2015. The Diocese of Olympia Refugee Resettlement Office AFI-funded IDA program for refugees serves approximately 16 clients a year who have primarily saved to invest in their small businesses. They can save up to \$2,000 and receive a 1:1 match after saving for at least six months.

### **Limitations and Lessons from Past AFI-Funded IDA Programs**

Program managers of AFI-funded IDA programs acknowledge the benefits of these programs for their clients and for their local communities. These benefits often manifest themselves as investment in small business and low-income housing. However, the program managers also acknowledge the administrative burden associated with management of these programs, including time, record-keeping, and costly accounting staff. These strains must be considered in relation to other program costs and agency resources.

Two communities, the Lower Columbia Community Action Program and the Spokane Neighborhood Action Program, were well known among asset-building leaders for their AFI-funded IDA programs that reached participants in each location for nearly ten years. When the state discontinued matched contributions to the federal funding, the programs were phased out. Over ten years, the Lower Columbia program helped 198 out of 250 (79%) low-income participants meet their savings goals (with an average savings of \$2,267). In Spokane, the program helped some low-income families with down-payments on their first homes. When state funding was slashed, the SNAP IDA program supported funding efforts, including an online save-together campaign that drew individual donations to help the IDA savers receive matched funding. Yet, these funding barriers were too great for IDA supporters and providers to overcome.

Catholic Charities Housing in Yakima has procured local match funding and has applied for AFI funding to start a new housing IDA for residents in Yakima. The program will be blended with other services, including financial education and counseling related to home ownership for low-income families. If funding is procured, the program hopes to enroll ten participants in the first year.

### **IDs & Matched Savings Programs with Private Funding**

Six agencies offering a total of eight IDA programs rely on private funding or a source of funding that is not AFI funding. In 2013, 228 people were enrolled in these non-AFI funded IDA



## SAVE USA

Save USA is a savings incentive designed for low-income families that was evaluated in other states including New York, New Jersey, Texas and Oklahoma, using random assignment studies.<sup>4</sup>

Save USA was replicated from the Save NYC project, which was implemented in 2009-2013. Each project focused on making a savings account and financial information available to low-income federal income tax filers to enable them to start savings accounts with their refunds.

In the Save USA study cities, 6-11% of the eligible income tax filers opted to participate and start an account with their tax refund. The results have been promising, and savers who kept their money in an account for a year were also eligible for a \$500 incentive.

programs. IDA programs using private funding sources have allowed participants to save for vehicle purchases, technology, or employment-related equipment in addition to saving for education, housing, or small business equipment. See Table 2 in Attachment B for brief project comparisons.

Two of these privately funded matched savings programs are designed for youth in western Washington. The Seattle YMCA Young Adult Services offers an IDA for youth, including foster youth ages 16-24, who can bank their earned income and also earn incentives through participation in program activities and classes. The program has served 128 youth, including 71 in 2013, and 35 at this point in 2014. In 2013, participants' combined savings totaled approximately \$125,000, which was matched 2:1 and contributed to \$375,000 of purchased assets. Just over half of the youth (52%) who start saving in the program actually reach their goal and receive their matched funds. A smaller program, the Marysville Goodwill Aerospace Training Program, with funding from the Boeing Company, has set up matched savings for its 20 youth participants in a year-long skill development program. These high school students are encouraged to commit to the savings agreement in order to consistently save a portion of their stipend and receive a 1:1 match upon their program graduation. The results are not yet available but will be included in a future report.

### Matched Savings for Adults

United Way of Snohomish County has offered an IDA with funding from the Boeing Company that has been accessed primarily by individuals, including some of the Youth Aerospace training program graduates, to purchase business equipment or to complete education. In the past two years, 23 and 29 participants were enrolled respectively. In one year, the participants who typically saved for 12 months received \$31,000 in matching funds.

The Washington Access Fund offers three IDA programs for individuals with disabilities, most of whom rely on SSI for income.<sup>3</sup> Each of these programs offers a unique focus: purchases of business equipment, assistive technology, and matched funds to

increase work opportunities by decreasing barriers to employment. The Business Equipment

<sup>3</sup> AFI funded IDA programs require participants to have earned income and SSI income does not qualify.



and Assistive Technology IDA programs last 6-36 months and typically reach capacity at 35 participants each. The newer Work Opportunities IDA, funded by the Department of Labor Disability Employment Initiative, launched in May 2014 and serves 11 participants, whose savings will be complete in September 2014. The short duration of this new Work Opportunities IDA program for King and Snohomish County residents, combined with the required paperwork, deterred some prospective savers, who found that the time spent enrolling outweighed the opportunity. The Business Equipment and Assistive Technology Washington Access Fund IDA programs, funded by the Paul G. Allen Family Foundation, serve individuals living anywhere in Washington State, as long as they meet eligibility requirements. Nearly all of the participants complete an online financial education option and have frequent contact with a case manager who reviews savings progress.<sup>4</sup> Some of the savers who have completed the Washington Access Fund IDAs have gone on to apply for small business loans and are successful entrepreneurs. The outcomes of the current IDA savers will be included in a future report.

The Diocese of Olympia Refugee Resettlement Office, which offers an AFI-funded IDA program, also offers an Office of Refugee Resettlement (ORR)-funded IDA to assist new arrivals to this country. The program has served 60 participants recently, and the majority of these participants saved to purchase vehicles with a 1:1 match up to \$1,000. Additionally, the Yakima YWCA offers a 1:1 matched savings program for transitional housing clients, but of the 100 participants in transitional housing, only a handful have participated in matched savings.

### Limitations of the Matched Savings Programs

Seven of the eight matched savings programs using non-AFI funding limit their reach to specific groups of savers who are selected based on where they live, their age, their circumstances of relocation to this country, or by other conditions. The Washington CASH program potentially serves the largest group of prospective savers, emerging small business owners, who could meet the IDA program eligibility. The Washington Access Fund programs eliminate the restriction of the source of earned income by setting up their programs for participants who receive SSI or SSDI monthly income. Yet, on an annual basis, fewer than 240 individuals save through the IDA programs with private and non-AFI funding. These programs are limited in scope and unable to expand their reach because of the time and labor associated with raising additional funds.

### Tax Refund-Based Savings Programs

In Washington, a number of the community programs that host income tax preparation workshops for low-income individuals indicated that they have not had a positive response to initiating a tax refund savings program. Reasons for not engaging tax filers in refund savings programs vary among agencies, but include the following: staff members' perception that such matters are not their business, the belief that filers are entitled to spend their refund as they see

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<sup>4</sup> Azurdia, G., Freedman, S., Hamilton, G., and Schultz, C. Encouraging Savings for Low- and Moderate-Income Individuals Preliminary Implementation Findings from the SAVE USA Evaluation. MDRC Policy Brief. Accessed online: [http://www.mdrc.org/sites/default/files/SaveUSA\\_brief14.pdf](http://www.mdrc.org/sites/default/files/SaveUSA_brief14.pdf)



fit and that it was imposing to suggest savings, volunteers' reluctance to approach filers, and filers' negative response to any suggestions of saving in a bank. Our project interviewees reported that the objection to saving was mentioned at more than one site where the tax filers had responded that they had not used banking services and did not intend to start.

The Volunteer Income Tax Assistance (VITA) sites in Snohomish County offer a tax refund savings program. As part of this program, an asset specialist offers information to tax filers about an option to purchase savings bonds (not to start a savings account) with some or all of their tax refund. The program has been offered since 2008, and in 2013, 90 tax filers purchased a total of \$31,000 in bonds. Often, the asset specialist encourages the tax filer to consider purchasing a savings bond in the name of a child or grandchild, and this approach has been met with a positive response.

## Savings Escrow Programs

### Housing Authorities Savings Escrow

Savings escrow programs are an option for some low income families. Families in subsidized housing through public housing authorities may access the Family Self-Sufficiency (FSS) program, the primary federal program designed to increase employment and earning and reduce reliance on government subsidies. The FSS program is funded by the U.S. Department of Housing and Urban Development (HUD), and it is administered by local public housing authorities. Across the country, about 77,000 families have participated in the voluntary FSS program, which provides case-management and referrals for employment and education services and offers asset-building options.

Housing authorities serving Seattle, Tacoma, Bremerton, Everett, Kelso, Longview, Vancouver, Wenatchee and King, Clallam, Island, Jefferson, Kitsap, Pierce, Snohomish and Thurston Counties offer the FSS Program. The participants who agree to comply with the program requirements, which include regular communication with an assigned case manager as well as goal-directed employment, can accrue savings that they can access when they graduate from the FSS Program. At the time the voucher recipients enter housing services, they pay 30% of their monthly income for rent. As their income increases, their rent also rises, and the difference in their rent above the initial 30% is placed into an interest-bearing escrow account maintained by the housing authority and payable to the participant when he or she completes the housing program. The participant must be suitably employed and be compliant with the program requirements at the time of graduating from the FSS program in order to receive the escrow funds. The escrow funds are intended to be used for a down-payment, educational expenses, business investments, or to pay down debt.

The Seattle Housing Authority, Tacoma Housing Authority, and King County Housing Authority similarly reported that while all of their voucher recipients could be eligible to participate in the

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<sup>5</sup> De Silva, L. (2011) Evaluation of the Family Self-sufficiency program: Prospective Study. U.S. Department of Housing and Urban Development. Office of Policy Development and Research



savings escrow program, less than half of the residents enroll in the program, and half of those (or a total of 25%) complete the FSS program. Representatives from the King County Housing Authority indicated that, in some cases, a client who has consistent and large wage increases may accrue \$10,000 or more, which could be used for a down-payment on a house. In 2013, the King County Housing Authority FSS program case-managed 264 households that represented a total of 647 adults and children. There were 36 households that completed their contracts of FSS participation. During this time, FSS escrow accounts disbursed \$242,189 to households that graduated from the program. Four families were able to move to non-subsidized housing, and seven households stopped receiving TANF as a result of increased household income. A total of 47 new escrow accounts started that year.

## FSS & LONG-TERM INCOME

In a national evaluation that followed 181 graduates from 14 sites of the FSS program, after four years, 24% of the families completed the FSS program.<sup>5</sup> In this national FSS evaluation, the graduates had higher incomes, both when they enrolled in FSS and when they completed the program, than participants with other outcomes who had not enrolled in the FSS program. The average escrow account balance was \$5,294 for program graduates, representing about 27% of their average household income at the time of program enrollment.

### Savings Escrow Successful for Some Parents

While the FSS Program is limited to low-income clients at housing authorities that elect to offer the program, the program's support and savings infrastructure over five years helps graduates maintain positive savings behavior. King County Housing Authority representatives explained that this program even motivates some parents to fulfill their goals to be free of debt or to pay for their children's education with the savings that they accrue. The housing authority representatives also cited that heads of households who did not comply with the FSS Program also tended to not comply with other housing agency rules and did not make progress toward employment or housing goals.

### Incentivized Savings Accounts

In 2013, the Save to Win Washington prize-based savings account program launched. This program required a legislative change to allow prize-based savings in this state, similar to a program started in Michigan. Six credit unions in western Washington participated in the first year of the program: Express Credit Union in Seattle, Obee Credit Union in Olympia, Fibre Federal Credit Union in Longview, Twin Star Credit Union in Lacey, North Coast Credit Union in Bellingham, and Connection Credit Union in Silverdale.

For each \$25 deposit made in a month with a limit of 10 deposits per month, a Save to Win participant received a chance in a drawing. The savers were eligible for a monthly prize of \$50, and they were also entered in the drawing for one \$5,000 grand prize awarded at the end of the program's first year, in April 2014.



Express Credit Union reported the lowest average income for its members, including individuals who receive public benefits and who are on fixed incomes. Express Credit Union had the highest percentage of responses among its members who started the Save to Win accounts compared to the other credit unions. The incentive to win cash prizes appears to be a motivating factor to start savings for low-income savers. Additionally, half of the savers in the Save to Win Program started their accounts in the last four months of the program, which indicates that word of mouth promotion prompted new savers to start savings.

Some potential savers were reluctant to participate in the program due to uncertainty of how a cash prize of \$5,000 might affect their eligibility for public benefit programs, including TANF and SNAP. This is continuing evidence of how low public benefit asset limits appear to deter recipients from saving and building their assets and taking steps toward financial security. In the Save to Win program, the Express Credit Union managers encouraged the TANF participants to seek financial counseling for advice should they have been a winner of a large cash prize. In this project, survey respondents who are members of the Washington Financial Education Network cited increased asset limits for TANF recipients as the policy they hope to see change.

## New & Emerging Savings Initiatives for Low-Income Individuals & Families

### Children's Savings Accounts (CSAs)

Children's savings accounts generally refer to accounts where the child is the primary saver but could also apply to accounts started by parents who continue to make deposits in the name of the child. Elliott (2013), in studying the effects of savings for groups of children with different characteristics, concluded that when children save at least a dollar, even if the total savings amount is less than \$500, and designated the account for school, they were three times more likely to enroll in and graduate from college than children with no account.<sup>6</sup>

In late 2014, the Tacoma Housing Authority plans to launch a children's savings account in the form of a Scholar Incentive Program for youth in sixth to twelfth grade. The families of children in each recruited cohort, starting with 60 children initially and growing to over 700 children in the Salishan Housing project, will receive matched funds for the amounts saved. The accounts are intended to help students pay for non-tuition higher education expenses with the assumption that the youth will be eligible for tuition scholarships. The savings account program will be expanded to younger children in grades one to five, pending the early assessment of the success of the savings program for older youth. When fully implemented, the children's savings accounts will offer an opportunity for a continuum of savings for children from first through twelfth grade.

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<sup>6</sup> Elliott, W. (2013) Small-dollar children's savings accounts and children's college outcomes. *Children and Youth Services Review* 35 (2013) 572–585.



Connection Credit Union in Kitsap County offers a savings account that is intended to encourage children and their families to start saving. At the Connection Credit Union, account savers receive a higher interest rate on the first \$500 deposited in a child's savings account, which may encourage the child to start saving and appreciate the return on savings behavior. There is a lower interest rate for amounts deposited beyond the initial \$500, and there is no matched funding. A small number of families have accessed this savings account program to date.

### Interest in CSAs in Communities

Five other communities have indicated some interest in the exploration of children's savings accounts. Opportunity Council in Bellingham, Clark County Community Services, and Community Action of Skagit County have shown some interest in learning about the requirements and the level of community interest to partner for a CSA in the future. Catholic Charities Housing in Yakima would also like to offer an educational IDA for youth as a component of their comprehensive youth program, but they have not yet developed partners and sources for matching funds. The Taala Fund on the Quinault Indian Nation received four months of technical assistance from the Corporation for Enterprise Development (CFED) to develop a logic model for a Children's Savings Account. They are in a research and development phase at this time while they consider the resources needed for such a program.

## Suggestions for Future Asset Building Programs & Savings Initiatives from Agency Program Managers

Several innovative programs are emerging that introduce savings concepts to children, youth, and adults. In Snohomish County, parents and children can attend separate four-part financial education classes, where children are introduced to the concept of savings and parents can learn about budgeting and tracking spending. Children receive a Moonjar bank that encourages them to think of saving for later, spending some money now, and sharing some money with those in need. A different effort at the Lower Columbia Community Action Program asks youth who attend events to think about what they would save for if they had \$25, and they receive a chance to win \$25 to encourage them to start saving.

The contacts at the community organizations, agencies, and credit unions identified that for future savings initiatives to recruit low-income individuals, the initiatives must: (1) alter the future participants' perceptions to believe that "everyone saves," (2) attract low-income participants to first enroll in a savings program, and then, (3) sustain a level of savings behavior over months so it becomes a habit. Savings initiatives should be designed to create communities where savings is expected and to put energy into helping all families (not just low-income families) be prepared to start saving. The survey respondents indicated that motivating low-income clients to start savings accounts can be accomplished by increasing financial education so people gain an understanding of the importance of savings.



Several of our interviewees stated that their low-income clients frequently want to pay down debt rather than to set aside money for savings. One agency suggested working with families on a plan to make regular payments toward debt reduction and then to start saving that amount as soon as the debts are reduced. The interviewees also spoke to the importance of developing savings programs, including savings accounts, with features that would make them attractive for low-income participants. Suggestions included the following:

- ▶ Accept initial small deposits to start savings accounts,
- ▶ Provide financial education for new savings account clients
- ▶ Reward savers with a small discount on a utility bill
- ▶ Make the initial deposit as easy as possible with minimal paperwork
- ▶ Inform clients who are on CHEX systems how they might use Second Chance to start an account

In addition to the features above, the survey respondents indicated that if new savings initiatives are developed for low-income adults, the focus should be a blend of saving for a general purpose and also saving for a specific purpose such as an education savings account.

A majority of the interviewees believe that matched savings programs are very beneficial for low-income, first-time savers and they would like to see 1:1 matched savings programs. The interviewees provided these additional suggestions on how to make a matched savings program relevant for low-income clients:

- ▶ Provide frequent contact with a case manager to prompt the client to make savings deposits
- ▶ Offer a means, such as an app, a laptop, or other tracking system to remind the low-income savers to make a deposit.
- ▶ Allow an early partial withdrawal of savings related to the savings goal in order to satisfy a “buy now reaction”
- ▶ Start practicing how to delay gratification
- ▶ Design 12-month savings programs
- ▶ Require budgeting for participants in the program
- ▶ Create a savers peer group so parents can discuss saving with people like themselves



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The financial educators who responded to the survey indicated that first-time savers will be attracted to savings programs if they receive incentives at the end and at intervals throughout the program.

## Discussion of Findings

The interview data show that most savings initiatives, including AFI-funded IDA programs, Save to Win participating sites, and the housing authority savings escrow programs are more accessible to residents in western Washington than residents in eastern Washington. Through the interview process, some agency managers not currently offering savings programs expressed interest in learning from other managers who do offer savings programs. Many of the interviewees would like to better understand what factors have contributed to the success of some new savings initiatives as well as what should be considered in the development of future savings initiatives, such as children's savings accounts (CSAs). These topics will be featured in community forums scheduled in the fall of this year, when we can elicit community member input and identify other topics of interest among asset-building leaders.

Queries of representatives at Community Action Agencies (CAAs) and local asset-building coalitions (ABCs) about current savings initiatives confirmed the lack of asset-building programs with resources for savings in some regions of the state. Additionally, survey responses received from the Washington Financial Educators Network also confirmed very limited offerings of Individual Development Accounts and tax refund savings accounts.

During the interviews, 17 CAA staff members and ABC representatives indicated that their agencies are not currently offering a savings program, but half of these agencies offer or contract with another organization to provide financial education. The survey respondents also conveyed that their agencies offer financial literacy programming. Most of the financial education programs were referred to as focusing on improving credit and reducing debt, with less emphasis on savings, although there are some financial education programs that do focus on savings. Four of the interviewees who responded that their agencies are not offering a savings initiative or a program stated that clients are referred to Bank ON for low-cost financial services and products. The financial educators who responded to the asset-building survey indicated that they would like to see emergency or contingency savings programs explored for low-income families. Creative options and resources for new savings programs that might be more feasible for agencies will be discussed at community forums as well.



# Attachment A

## List of Contacts Who Were Interviewed

### Community Action Agencies

1. Leon Garnett, Centerstone
2. Leslea Bowling, El Centro de la Raza
3. Judy Faast, Hopelink
4. KO Wilson, Hopelink
5. Judy Poston, Solid Ground
6. Liz Myntti, Lower Columbia
7. Lynn Christoferson, Community Action Skagit County
8. Melissa Vogt, Community Action Skagit County
9. Melissa Self, Community Action Skagit County
10. Melissa Nyberg, Community Action Skagit County
11. Lucy Kesterson, Community Action Skagit County
12. Anjali England, Opportunity Council Bellingham
13. Kate Budd, Clark County Human Services
14. Steve Dickerson, Blue Mountain CAA
15. Linda Limbeck, Chelan-Douglas
16. Jeff Guyett, Whitman
17. Zoe Fahy, Hopesource
18. John Raymond, Hopesource
19. Lael Duncan, Okanagan
20. Amy Allison, contractor, Metro Development Council Pierce County
21. Keri Rodkey, Spokane Neighborhood Action Program
22. Tina Huston, Neighborhood House

### Asset-Building Coalitions

1. Alice Coday, Financial Empowerment Network | Seattle King County
2. Stephanie Bowman, Washington Asset Building Coalition
3. Lark Kesterke, Snohomish ABC
4. Patti Sells, Mason County ABC
5. Juan Aguilar, Yakima County ABC
6. Dixie Palmer, Yakima County ABC
7. Sally Pritchard, Spokane ABC
8. Jean Marie Thomas, Thurston
9. Iris Friday, NW Native ABC
10. Andrey Muzychenko, Spokane CASH

### Statewide Offices & City Organizations

1. Lyn Peters, Department of Financial Institutions
2. Diane Fey, Department of Commerce
3. Gloria Hatcher-Mays, City of Seattle

### Housing Authorities

1. Greg Claycamp, Tacoma Housing Authority



2. Lydia Assefa-Dawson, King County Housing Authority
3. Rickey Robinson, King County Housing Authority
4. Elizabeth, King County Housing Authority

### Agencies, Foundations

1. Emerson Sekins, Washington Access Fund
2. Leann Wickland, Washington Access Fund
3. Laura Fletcher, Washington CASH
4. Rosie Cullen, YMCA Young Adult Services
5. Lauren Zimmerman, SHARE
6. Kevin DeVoss, Diocese of Olympia
7. Natalie Charley, Taala Fund
8. Julie Burnett, Confederated Tribes of Chehalis
9. Tania Siler, Goodwill Marysville
10. Deena Geisen, Tacoma Goodwill

### Financial Institutions

1. Ynette Gibbs, Newrizons Credit Union and Grays Harbor County IDA
2. Martin Vallen, Express Credit Union
3. Scott Prior, Connection Credit Union
4. Terry Fultz, Newrizons Federal Credit Union
5. Alex Carlston, Newrizons Federal Credit Union

### Additional Organizations

1. Elizabeth Benefiel, Love INC
2. Bryan Ketcham, Catholic Charities Housing Yakima
3. Julie Griffith, Money Management International
4. Mark Altmar, NE WA ESD 101

Some interviewees represent both an agency and a local asset-building coalition. On this list each person is counted just once for their primary affiliation.



# Attachment B:

**Table 1. Individual Development Account Programs – Six AFI-Funded Grantees in Washington State**

| IDA program/<br>Host agency  | Target population and numbers of clients enrolled   | Patterns of savings shown by the program participants   | Assets purchased or impact in the community  | Unique attributes of this program  |
|--|---|---|--|--|
| <p>SHARE, Vancouver</p> <p>Matching funds through Clark County.</p>  | <p>Clark County residents, Habitat for Humanity refers clients + other agencies. Clients can self-refer. Total participants in 2013 was 48.</p>   | <p>Must save monthly for at least six months, may use EITC tax refund. 80% take 24 months to complete savings, 15% take 1-2 years, and 5% complete savings goal is 7 months During one year, 29 saving for housing saved an average of \$643 each; 8 saving for education saved an average of \$1,165 each and 4 saved an average of \$438 for their small businesses.</p>                          | <p>147 enrolled since 2008. 45 have graduated and made purchases: 21 purchased a home, 5 started a business, 6 pursued education, 11 purchased a vehicle and 2 purchased a computer.</p>                   | <p>This is the only IDA AFI program where the source of the program matching funds is county funding. The Clark County Asset Building Coalition (ABC) is the only local ABC that identifies increasing IDAs as an objective for asset building.</p>                                      |
| <p>Grays Harbor IDA Program Lead agency is Newwizons Federal Credit Union in Hoquiam.</p> <p>New AFI grantee as of November 2013.</p>                              | <p>34 Grays Harbor residents enrolled between November 2013 and February 2014, 3 on wait list.</p>  | <p>80% are saving for higher education, attending Grays Harbor Community College with some on goal to attend 4 year college.</p> <p>Others are saving for house purchase. All enrollees had a guidance session to identify a personal goal and savings plan which they committed to in an agreement plan.</p>   | <p>Program started in late 2013, participants are not yet making purchases. This has been a depressed community and local residents eagerly responded.</p>   | <p>The participants enrolled immediately when program was announced and the program reached capacity within months.</p>  |
| <p>Taala Fund (a Native Community Development Financial Institution)</p> <p>Half of Quinault reservation in Grays Harbor County, and part in Jefferson County.</p> | <p>Open to tribal members, 5 total with 3 new applicants pending. 2 in microenterprise, 3 in higher education. Expect to enroll fishermen who want to save to buy equipment for their business.</p> | <p>Started in late 2012, funding for five years. Participants will save for 12 months. First enrollees at beginning of 2013 have just met a 12 month mark. (Project tasks have been delayed slightly with two program managers being out for 2-3 months).</p> <p>Enrollees were to save up to \$50 a month for 12 months, toward a goal of \$600, IDA has a 6:1 match, so could receive \$3600.</p> | <p>Enrollees are just now making purchases due to some delays in the program administration. IDA savers have started microbusinesses including a regalia making company and a health product supplier.</p> | <p>Local residents have very high needs but have had improved access to higher education with location of classes onto the reservation. IDA has a built in safety net to keep enrollees on track-- they can apply for \$300 emergency assistance so as to not withdraw from the IDA.</p> |



| IDA program/<br>Host agency  | Target<br>population and<br>numbers of<br>clients enrolled   | Patterns of savings shown<br>by the program<br>participants  | Assets purchased<br>or impact in the<br>community  | Unique attributes<br>of this program  |
|--|--|--|--|---|
| Washington<br>CASH<br><br>Business<br>Development<br>IDA Program,<br>Seattle | Only graduates of the Business Development Training (BDT) are eligible. They must meet income guidelines 200% HHS and must not have assets exceeding \$10,000. Cohort of 30 each year, have 86 total.  | Participants must have some earned income and deposit a minimum of \$10 a month. Can save up to \$2000 and receive a 2:1 match, match of \$4,000 for total of \$6,000 which can be used for small business including equipment, other needs related to business. | In 2013, 14 clients completed their savings of \$2,000. They each received a match of 2:1 or \$4,000, which put a total of \$84,000 of purchases into the community. | Clients typically have a part-time or full-time job while working on savings to start small business.         |
| Diocese of<br>Olympia,<br>Refugee<br>Resettlement<br>Office, Seattle         | Current cycle: 16 enrolled in AFI program and additional 60 have graduated in an IDA funded by Office of Refugee Resettlement, which does not use AFI funding  | AFI program is for low income individuals, usually from the Diocese's Resettlement programs, who have likely been in the US for more than three years. There is a separate Office of Refugee Resettlement Program IDA which is accessed by more recent arrivals. | Program clients most often save to receive \$2000 for their businesses. The majority of savers over a five year period saved for their businesses.                   | The program from 2007-2012 had more than 500 participants and more than \$4,000,000 in assets were purchased. |
| Confederated<br>Tribes of<br>Chehalis  | Because the enrolled members of the Chehalis tribe receive a high per capita income from tribal investments, they are not income eligible for the IDA. The tribal IDA administrator has tried to work with AFI to identify an alternative option for eligibility but this has not been approved. |  |  |   |



**Table 2. Matched Savings Programs/Individual Development Accounts that Access Private Funding & Do Not Receive AFI Funding**

| <b>IDA program/ Host agency</b>   | <b>Target population and numbers of clients enrolled</b>  | <b>Patterns of savings shown by the program participants</b>  | <b>Assets purchased or impact in the community</b>   | <b>Unique attributes of this program</b>  |
|---|---|---|--|---|
| Fuel your Future, United Way of Snohomish County, Funding provided by the Boeing Company                                | Serves clients in Snohomish County referred from an agency. Participants complete detailed application. Graduates of Goodwill Aerospace program can be referred.  | In 2012, 23 participants received match funds and in 2013, 15 completed savings.  | In 2012, the total amount of match that was used was \$31,200.   | Was an IDA for up to 36 months, now a 12-month program. Sees more consistent saving with shorter program.   |
| YMCA Young Adult Services, Seattle for youth including foster youth   | 35 current in 2014, had 71 in 2013 including some who started in 2012 and made asset purchases in 2013. Some enrolling in 2013 still current in 2014.   | Participants 16-24 in any YMCA services can be referred to the IDA programs. Nearly half (48%) of the participants do not complete savings /access match funds. | Participants have saved \$125,000+ with twice the match, so approximately \$375,000 in assets purchased. | Y provides incentives for participants to earn money, attending classes, participating in a study can earn \$10-20 which can go into IDA.   |
| Yakima YWCA Transitional Housing residents  | 56 people currently enrolled in financial education class (4 week program) through YWCA. Only 3 people currently enrolled in matching program.  | Clients are encouraged to save \$100 and receive \$200 match but only a small number of clients are working on savings.   | None purchased to date   | Primarily geared towards people living in YWCA's transitional housing and/or clients who meet weekly with their YWCA advocate.  |
| Diocese of Olympia, Refugee Resettlement Office--IDA program funded by federal Office of Refugee and Resettlement (ORR) | ORR program is for people who have been in US for 3 years or less. Enrollees are typically refugees or asylees.   | Participants complete financial education, are employed, and many save to buy a car.  | Clients can enroll in one of four programs: vehicle, small business, education or home ownership.        | 1:1 match up to \$1,000 for vehicle purchases.  |
| Business Equipment IDA at Washington Access Fund  | Can serve 35 clients. Washington resident, have disability, =>18 when equipment is purchased. Income =< 80% of County median income, adjusted for family size. Assets of less than \$20,000, house, car, special needs funds not counted. | Max amount to \$4,000, 1:1 match. Up to 36 months. Have to save for 6 months before using any funds.<br><br>90% on track to reach goals.                        | 90% of the participants stay on target to reach their savings goal. Receive reminder each month.         | WAF also offers Credit Builder loans for \$500 to help build credit for clients developing a small business. Participating in IDA helps client to become credit ready to be able to later apply for a loan. |



| IDA program/ Host agency  | Target population and numbers of clients enrolled  | Patterns of savings shown by the program participants   | Assets purchased or impact in the community  | Unique attributes of this program   |
|---|--|---|--|---|
| Assistive Technology Individual Development Account at Washington Access Fund | Have 35 enrolled with a waitlist. WA resident, at least 18 when equipment purchased. Have disability. Income is =< 80% of County median income, adjusted for family size. Assets of less than \$20,000, house, car, special needs funds not counted. | Can save for modified vehicle, wheelchair, hearing aids, tablets, computers. Many have saved for more than one asset, e.g. laptop then also buy something else. | Clients can save until June 30 so records of asset purchases will be available in July.        | SSI and SSDI may be used as income source. Family members sometimes contribute to the client's IDA. |
| Work Opportunities Individual Development Account at Washington Access Fund   | Have 11, could take up to 35. Started recruiting 11/13, first client in Dec 2013. All have to be enrolled by 6/14, complete savings in Sept.2014. Must live in King or Snohomish Counties and be unemployed.   | Very short duration, must end their savings as of September 2014 and make purchases.  | Due to short duration, some prospective clients did not wish to complete paperwork and enroll. | Program was intended to be a year in length but start was delayed which led to the short duration.  |
| Marysville Goodwill Aerospace Training Matched Savings Program                | 20 high school students selected each year for training and stipend.   | Encouraged to regularly save a portion of their stipend.  | Students have just completed first year and results are not available.                         | Participants are gaining work skills while also learning about managing money.                      |

<sup>i</sup> The Washington Access Fund Individual Development Account programs are targeted to reaching individuals with disabilities to help them to save and purchase assets for employment or other purposes. One other resource for individuals who have developmental disabilities is the Life Opportunities Trust. It is limited to Washington residents who meet the criteria of a developmental disability but enrollees would not have to be low-income. The trust offers incentives in the form of state matching funds on fees for the individual trust accounts which would encourage enrollees or their family members to save in the trust account. The trust account value does not affect eligibility for public benefits.