



# ***CUNA Issue Summary***

## **INDIVIDUAL DEVELOPMENT ACCOUNTS (IDAs)**

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**ISSUE:** Individual Development Accounts (IDAs) are matched savings accounts that can be used for three purposes: 1) buying a first home; 2) funding post-secondary education or training; or 3) starting a small business. IDAs were first authorized by Congress in the *Personal Work and Responsibility Act of 1996*. In 1998, the *Assets for Independence Act* (P.L. 105-285)(amended in December of 2000) established a five-year, \$125 million demonstration program administered by the Department of Health and Human Services (HHS) to evaluate the effects of savings incentives on persons of limited means. IDAs may be opened by persons who meet a net worth and income tests and are eligible for the Earned Income Tax Credit or Temporary Assistance for Needy Families. Contributions are not tax-deductible but are matched by contributions from a program run by a state or a participating nonprofit organization. The individual is not taxed on any matching contributions or their earnings.

The [Assets for Independence \(AFI\) Program](#) is run by the Office of Community Services (OCS), which is under the authority of the U.S. Department of Health and Human Services. OCS offers grants to many types of entities, including low-income credit unions that partner with certain community-based organizations, to start IDA programs. Over 50,000 people have participated in nearly 500 IDA programs nationwide. The [National Federation of Community Development Credit Unions](#) works with AFI to provide technical assistance to prospective grantees.

Currently, IDAs managed by financial institutions are not matched by the federal government. A legislative authorization is needed to fund the matching portion, a necessity to make IDAs affordable and attractive for credit unions.

**CUNA POSITION:** CUNA strongly supports permanent enactment of IDAs and urges Congress to enact legislation that will provide a transferable tax credit for eligible entities. IDAs fit perfectly with the credit union mission of “People Helping People.” Many low-income consumers presently have no relationship with a mainstream financial institution. IDAs are new products that can help these individuals build assets, while also helping to bring in a new customer base. Account holders come to credit unions while taking financial education courses in connection with their IDA. Also, they are working full or part-time, and saving regularly in their IDA for a specific asset purchase. By holding IDAs, credit unions gain the opportunity of selling additional financial products such as mortgages, business loans, and college loans, and often lead to IRAs, and other products. Credit unions, as well as other entities that manage IDAs, would receive \$50 annually per account holder. This sum is designed to help defray the administrative costs incurred by the institution as well as to fund financial education programs.

**STATUS/OUTLOOK:** In 2007, the National Credit Union Foundation (NCUF) accepted a \$415,000 federal grant to help credit unions fund Individual Development Accounts (IDAs). NCUF is using these federal funds to assist members of three pilot credit unions with expertise in IDAs.

On May 6, 2009, Representative Earl Pomeroy (D-ND) introduced H.R. 2277, the *Savings for Working Families Act of 2009*. In the Senate, Senator Blanche Lincoln introduced companion legislation, S. 985. If enacted, these bills would enable 2.7 million low-income families to build financial security through Individual Development Accounts (IDAs).

CUNA continues to lobby in favor of passage of this legislation.

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