South Carolina Association of Community Development Corporations (SCACDC)

The mission of SCACDC is to raise the quality of life for low-wealth families and communities by advancing the community economic development industry in South Carolina through the capacity building of local community development corporations through the provision of:

- Grassroots Leadership Development
- Access to Capital
- Advocacy
- Technical Assistance

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City of Columbia
Community Development
Individual Development Account (IDA)

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Participant Handbook
Dear IDA Participant,

Welcome to South Carolina’s Individual Development Account (IDA) program. You are on your way to learning important life skills through financial literacy training, habitual saving and earning a valuable asset.

We, at the South Carolina Association of Community Development Corporations, are proud to offer you a program that will help you to purchase a home, start a business or go back to school. Through your local Community Development Corporation you are making a positive impact in your community.

We congratulate you on taking this first step towards achieving your goal.

Sincerely,

Bernie Mazyck
President & CEO
SC Association of CDC’s

Purpose of this Handbook

The South Carolina Individual Development Account (IDA) Program is an asset development program for low-income individuals.

Our objective for South Carolina’s IDA Program is to assist people with limited means in achieving financial independence and becoming financially self-sufficient by providing the skills to:

- Develop a budget and set goals;
- Establish regular savings habits; and
- Invest in assets.

The IDA Program meets these objectives by providing financial literacy, case management, homeownership counseling and other asset-goal specific training to its IDA participants.

The objective of this handbook is to familiarize IDA participant’s with South Carolina’s IDA Program and its rules and regulations. Please read the handbook and keep it in a safe place so you can consult it again as necessary.

The rules of this program are established to ensure that you maximize the benefits of this program. The rules are also set up to provide the structure and motivation that most people need in order to become good financial stewards of their communities.

You have set a worthwhile goal! We have confidence that you will achieve that goal if you stay focused and work hard. We look forward to working with you as you save for a brighter future.
Transfer and Succession of IDAs

In case of the death of an accountholder, the IDA will be transferred to an eligible individual, designated in the individual’s savings plan agreement. For the purposes of this program, an eligible individual is:

(i) The individual’s spouse; or
(ii) Any dependent of the individual with respect to whom the individual is allowed a deduction under section 151 of the Internal Revenue Code of 1986.

A SOUTH CAROLINA IDA SUCCESS STORY

Pamela Brunson moved back to her hometown of Manning, South Carolina in 2000 after living and working in Washington, D.C. for seventeen years. Her plan was to settle down near her family and save for a home.

After three years of substitute teaching and volunteering at the local schools in Manning, Brunson saw an ad in the paper about the Individual Development Account program offered through the Clarendon County Community Development Corporation. She signed up for the program in late 2003 to help her save for a down payment on a house and to receive homebuyer education and financial management training from the CDC.

In April 2005, Brunson used her matched IDA savings to move into her new three bedroom home with her daughter and foster child. “For me it was not about purchasing a home but more about learning how to better manage my money,” said Brunson about the IDA and financial literacy program. “Once you get into a home it doesn’t stop there. I saved all of my financial literacy pamphlets and materials and have now passed that along to my 19 year old daughter.”

Pamela Brunson is now the Executive Director for Clarendon County CDC.

Table of Contents

Letter from President of SC Association of Community Development Corporations  Page 2

Frequently Asked Questions  Pages 4-5

Eligible Uses  Page 6

Eligibility  Page 7

Enrollment Requirements  Page 8

Savings Accounts  Page 8

Training Requirements  Page 8

Savings Requirements  Page 8

Withdrawal Process  Page 9

Emergency Withdrawals  Page 9

Transfer and Succession of IDA’s  Page 10

IDA Success Story  Page 10

Purpose of IDA Participant Handbook  Page 11
What is an “IDA”?

IDAs, or Individual Development Accounts, are special matched savings accounts designed to help families and individuals of modest means establish a pattern of regular saving and, ultimately, purchase a “productive asset.” A “productive asset” is something of value that is likely to return substantial long-term benefits to its owner—benefits like security, stability and opportunities for more income. South Carolina IDA Program participants may use their savings and match money toward any of three productive assets: a home, a small business or a post-secondary education.

What is a “savings match?”

A “savings match” is a promise to supplement an IDA participant’s savings deposits at a specific rate; in other words, a 3:1 savings match means that for every dollar a South Carolina IDA Program participant saves, he or she will have another 3 dollars added to his or her total account balance!

Why would anyone give away money like that?

Savings matches are not “giveaways.” Participants earn savings matches by saving their own hard-earned dollars and taking other steps to prepare for the future, like attending personal finance workshops. Furthermore, providing match dollars is a way to help hard working low-income families and individuals build a more stable and secure future. Everyone benefits when more members of a community have the tools they need, the productive assets, to provide for themselves and their families. This same thinking has been behind government initiatives like the Homestead Act of the nineteenth century and the GI Bill following World War II.

Is there more to an IDA Program than just savings matches?

Absolutely. Most people need more than just cash to become successful homeowners, entrepreneurs or college or vocational school students. For this reason participants in the South Carolina IDA Program attend both personal finance and money management workshop series and a special asset-specific preparation program. These workshops are designed to help participants acquire or polish the personal and financial skills that are essential for long-term success, skills like long-range planning, household budgeting, credit repair and savvy consumer habits.

Frequently Asked Questions:

Withdrawal Process

Before a participant may withdraw funds for a qualified asset purchase, he/she must:

- Completed the required Financial Literacy training
- Completed the required Asset-Specific training
- Be in compliance with their Savings Plan Agreement

No monies will be given to the participant the match funds will be distributed directly to the vendor, school or closing attorney.

To request a withdrawal you must bring a copy of the invoice or a letter from the school or attorney along with a copy of the final bank statement showing the full amount to the organization administering the IDA. You will then be asked to fill out an Approved Withdrawal Request form and a Participant Match Withdrawal Request. You will take the Participant Match Withdrawal to your bank to access your savings.

Emergency Withdrawals

Participants in the IDA Program are strongly discouraged from taking emergency withdrawals from their IDAs; however, in the event that a financial emergency arises, participants are encouraged to discuss their situation with a local IDA program staff member.

Any emergency withdrawal will restart the 6 month consecutive savings requirement before a match withdrawal can be made.

Emergency withdrawals will only be approved when, in the judgment of local IDA program staff, no other resources exist and IDA funds are necessary to:

1. Prevent or forestall the eviction of a participant or a participant’s family from their residence
2. Prevent foreclosure on a participant’s primary residence
3. Pay for critical health care services for a participant or a participant’s family member
4. Pay for critical living expenses, such as food or heating expenses, following a participant’s loss of employment.

Approved emergency withdrawals may be made in any amount up to a participant’s entire account balance. The checks are to be issued directly to the vendor. Under no circumstances will withdrawals include matching funds or the interest earned on the matching funds.
**Enrollment Requirements**

After you are determined to be eligible the administering IDA program will ask you to complete the following forms:

- IDA Program Participant Application
- Income Eligibility Verification
- IDA Savings Plan Agreement and Consent Form
- Participant Beneficiary Designation Form

A copy of your annual tax return will also be needed.

**Savings Accounts**

Savings Accounts must be opened at an approved financial institution. These accounts are “joint” accounts of the participant and administering IDA program. Monthly/Quarterly bank statements should be sent straight to the administering IDA program.

**Training Requirements**

SCACDC requires all participants to complete a minimum of 30 hours of financial literacy training. In addition to the required hours of asset-specific training that must be completed. If a Household has two accounts open at the same time, both individuals must complete the financial literacy hours and the asset-specific hours.

Asset-specific training includes:

- First-time Homebuyer Education – 20 hours
- Entrepreneurial Training – 12 hours
- Post-secondary Education – 10 hours

**Savings Requirements**

When you enroll in the program you will be asked to fill out a savings plan agreement. You and your program coordinator will work on your budget and determine a monthly savings goal (minimum of $25/month). Participants must save for a minimum of 6 months and must meet their savings goals within 36 months of enrollment. EITC (Earned Income Tax Credit) returns can be deposited into your IDA savings accounts not to exceed $600 and regular income tax refunds can be deposited not to exceed $500.

**What is required of IDA participants?**

IDA participants are asked to commit to:

- make monthly savings deposits of at least $25
- save in the program for at least 6 months
- attend a personal finance and money management workshop series
- participate in asset-specific ownership preparation training
- willingness to share your IDA story of success with others

**Where are savings deposited?**

The South Carolina IDA Program has enlisted Financial Institution Partner as their financial institution partner. Program participants establish special IDA savings accounts, jointly owned by Sponsoring Organization and individual participants. IDA accounts will not be assessed any monthly service fees and will be insured by the FDIC, FSLIC or FCUIC for up to $100,000 per account.

**What about making savings withdrawals?**

Because IDAs are intended to help people purchase productive assets, withdrawals for non-asset uses are strongly discouraged. However, in certain emergency situations, program participants may withdraw some of their savings before they are ready to purchase their chosen asset goal. Such withdrawals would not include savings matches. And, of course, participants are always free to close their accounts, withdraw from the program and receive all of their savings and earned interest.

**How do participants receive match funds?**

Matched funds will be made available to participants when they are ready to purchase an asset. At that time a vendor check will be issued directly to the company, institution or individual furnishing all or a part of a participant’s asset goal (a mortgage company, home inspector, wholesale supplier or community college, for example).
Eligible Uses of an IDA

Based on the Federal Assets for Independence Act, the only eligible uses of IDAs are for homeownership, small business development and post-secondary education. Each asset must remain in the state of South Carolina. Homes may be purchased outside of the current county of residence, but must be in South Carolina; small businesses must remain in the State as well. Post-secondary education may be acquired outside the State, but the participant should intend to stay in South Carolina after graduation.

Home Ownership: IDA savings for home purchases may only be used by First-time Home Buyers. For the purposes of this program, the definition of a “First-time Homebuyer” is an individual participating in the IDA Program (and, if married, the individual’s spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence. The date of acquisition means the date on which a binding contract to acquire, construct, or reconstruct the principal residence is entered into.

IDA savings may only be used for qualified acquisition costs, which means the cost of acquiring, constructing or reconstructing a residence. This includes down payments and any usual or reasonable settlement, financing or other closing costs. IDAs may not be used to purchase appliances or furniture. Rehabilitation costs are restricted to those costs directly related to bringing the home up to code. If a participant has layered down payment assistance programs, all money must be used as a down payment to reduce the principle of the loan or for closing costs, whichever is not covered by the additional grants.

The home must be the primary residence of the accountholder. For the purposes of this program, a home is defined as a structure that represents an appreciating asset with real value. Mobile homes, placed on a fixed foundation and de-titled (for the purposes of mobile homes) are allowable under extreme circumstances.

Post-Secondary Education: IDA savings for post-secondary education must be used by the accountholder or their child. Parents may save for a child’s college education as long as the parent meets the income and work guidelines; however, if the child participates in the youth program as a separate accountholder and is saving for college, the child must meet the income and work guidelines, as well as the parent or legal guardian.

Post-secondary educational expenses refer to tuition and fees required for enrollment in an eligible educational institution, as well as books, supplies and equipment. All purchases must be made through the school’s bookstore. No checks will be cut for Wal-Mart, Office Dept, etc. An eligible educational institution means the following:

Small Business Development: IDA savings for small business development must include a qualified business plan. A qualified business plan is approved by a financial institution, a micro enterprise development organization, or a nonprofit loan fund having demonstrated fiduciary integrity. It must include a description of services or goods to be sold, a marketing plan and projected financial statements. The assistance of an experienced entrepreneurial advisor is strongly recommended.

Qualified expenditures for a business plan include capital, plant, equipment, working capital and inventory expenses.

Eligibility

To participate in the IDA Program, applicants must meet two criteria: Income Eligibility and the Net Worth Test. Income eligibility requires the applicant to have income below 200% of the Federal poverty limit. The Net Worth Test (assets minus liabilities) verifies that the applicant’s net worth is below $10,000. Please use IDA Form 1200, Income Eligibility Verification, to verify both criteria.

Income eligibility is further defined to mean income that is earned from employment. Persons receiving SSI for a disability or from the death of a parent are not eligible.