



## **Westwater Financial, Inc**

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# Individual Development Accounts – Frequently Asked Questions

## Individual Development Accounts

Thank you for your interest in Individual Development Accounts. Individual Development Accounts (also called IDAs) are matched savings accounts designed to help those of modest means establish a pattern of regular savings and, ultimately, purchase a productive asset. Savings and match money may be used towards the purchase of a first-time buyer home, to start a small business, or further your post-secondary education or trade school.

This FAQ sheet contains basic information for savers interesting in learning more about IDAs.

## Frequently Asked Questions:

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## What is an Individual Development Account?

An Individual Development Account, or IDA, is a special savings account for people with low incomes. Most organizations will limit applicants to individuals earning 200% or less of the Federal Poverty Income level.

When you save in an IDA, your savings are matched. This means that for every dollar that you save you can receive another dollar or more. One program offers a three – to - one match, another provides up to an eight – to - one match.

Typically, IDA savings and match money can be used to buy a house, pay for post-secondary education or trade school, or to start a small business.

In addition to earning matching dollars, you will learn about budgeting, saving, banking and more when you open an IDA. Individuals who open IDAs (accountholders) are required to attend financial education classes. Accountholders may also receive one – on - one counseling and other training depending the specifics situation.

## Why is my money matched?

Your money is matched to encourage and help you to save enough to buy an asset, such as your first home, to help pay for college expenses or trade school, or capital needs for a small business enterprise. While your paycheck helps you to buy food and clothing and pay your bills each month, an asset provides financial security for the future. As such the match is not only designed to reward consistent saving but accelerate your pathway to owning an asset.

## Where do the match dollars come from?

Match dollars for our 8 to 1 match come one part from Dry Creek Band of Pomo's AFI Grant (Assets for Independence) and seven parts from Westwater IDA Matching Funds which are acquired from fundraising. Down payments for houses come one part from Dry Creek Band of Pomo's AFI Grant, 1 part from Dry Creek Band of Pomo's NAHASDA Grant (Native American Housing Assistance and Self-Determination Act) and one part from Westwater IDA Matching Funds which are acquired from fundraising.

## How do IDAs work?

Our IDAs are offered in partnership the Dry Creek Tribe of Pomo Indians and Westwater Financial, Inc. who match your funds. Westwater Financial is a Community Development Financial Institution (CDFI) who manages the IDA program. Westwater is responsible for recruiting participants for the program, providing financial education classes, and also provides one-on-one counseling and training to participants.

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After signing up for an IDA program, each participant will develop an individualized saver's plan agreement. This document should clearly outline what the expectations are of the saver and of the program provider, and the expected timeframe for an individual to complete their savings.

Afterwards, participants open an account with our partnering bank or credit union. Each month, IDA participants may receive a report telling them how much money (individual savings, match, and interest) is accumulating in their IDA which they will forward to Westwater.

An IDA program can be as short as six months or as long as four years from beginning to end. You will report to Westwater staff the date and amount of each of your monthly deposits prior to the end of the month in which each deposit is made and provide copies of the quarterly statements issued by the financial institution where your savings are. You will use the money saved and any matching funds you receive at the end of the savings program toward the acquisition/improvement of a **pre-approved** asset. It is understood that any matching funds are forfeited in the event that you are not able to acquire the specified asset within 6 months after the conclusion of the underlying grant period.

In most cases, opening an account with the partnering financial institutions considered the beginning of the IDA process. Once you have reached your savings goal, participants may get approval to make a withdrawal that includes their savings money and then checks will be cut by Westwater for the matched money for the specific asset goals.

While participants have access to their savings throughout the process, they may lose out on any accumulated match if they decide to make an unauthorized early withdrawal.

Some IDA participants choose one big savings goal, such as a home, but others save for a number of smaller, related goals, such as textbooks and college tuition.

### **Is an IDA right for me?**

This is a question that you and Westwater will be able to answer together. If your income is low and you would like to own a home (your first), further your post-secondary education or start or expand a small business, then opening an IDA could be the best way for you to reach your goal. But, if you are paying off a loan or have a lot of credit card debt, you may not be ready for an IDA.

Each person's and situation is different and each program has different requirements and objectives. The best first step is to contact us and inquire more about our program specifics.

## How can I open an IDA?

You will need to complete a IDA Application, IDA Contract, and agree (sign) an IDA Policies and Procedures Agreement. Currently you must be a member of the Band of Pomo Indians and 200% below the Federal Poverty guideline.

## What are the program's eligibility guidelines?

In general, IDA program eligibility is based on the following information:

- **Income:**  
There are specific maximum household income levels for IDA applicants. Maximum income levels are most often a percentage of the federal poverty guidelines (usually 200%) or the median income (usually between 65% and 85%). Your counselor can advise and show you the chart for the Federally recognized income levels.
- **Earnings:**  
IDA programs require that all of savings come from **earned income**. A paycheck is the most common source of earned income. Money given as a gift is not considered earnings.
- **Net worth:**  
IDA programs also look at the household assets (such as a car, home, savings, etc.) in addition to household income when determining IDA eligibility.
- **Credit History:**  
Debt from credit cards and loans makes it difficult to save. You might not qualify for an IDA if you have a lot of debt or a bad credit history. A program provider may ask you to visit with a credit-counselor or pay off your loans before you open an IDA.

## What kinds of things can I purchase with my IDA savings?

For our 8 to 1 match you can use the money for a small business capital asset or post-secondary education costs (college or trade school). For our 3 to1 match you can use it as a first-time home buyer towards a down payment or escrow closing costs.

## How long will I be able to save in my IDA?

The savings period or program length will vary from program to program, but most savings periods range from 1 year to 3 years. The minimum amount of time is 6 months in some cases.

## What are the programs' match rate?

If you save \$250 over 6 months, we will match it with \$2000 for college or trade school expenses or a small business capital asset. Or, as a first-time homebuyer you can save up to \$2000 for a 3 to 1 match towards a down payment or escrow fees. Your \$2000 will be matched with \$6000.

## Will I be required to save a certain amount of money each month?

Yes. Depending on how much you need, there will be a required amount that you will need to save each month.

## Is there a limit to how much money I can save in my IDA?

Yes. For an 8 to 1 match you can only save up to \$250 over 6 months. Your \$250 will be matched with \$2000. If you want to save for a home, you can save up to \$2000 for a 3 to 1 match. Your \$2000 will be matched with \$6000.

## How does it work? What do I have to do?

- You must be eligible by being at least 200% below the Federal Poverty line
- You must sign up
- You must complete a Financial Skills class

Financial education is an important part of all IDA programs. You will be required to attend a certain number of classes to learn about creating and managing household budgets, using credit responsibly, the basics of saving and investing, saving for retirement and much more.

In addition to financial education, Westwater also provides training to assist account holders in making good purchases. Examples of this training include homebuyer training or counseling, small business development courses or financial skills coaching. This additional training is not optional and can provide important information that will help you to make a good purchase with your IDA savings.

- You must set up a savings account with a designated banking service
- You must make your regular deposits until you reach your goal
- You will report your savings to your IDA representative
- You will delineate how you will spend your money
- You will spend your saved dollars first
- You submit quotes for expenditures for your \$2000
- Westwater Financial will cut checks to your vendors for the exact amount needed up to your \$2000