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Examples of Successful Wealth Building in Rural Areas

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Introduction

The purpose of this paper is to describe successful examples of wealth building in rural areas through the mechanism of individual development accounts (IDAs). A review of available literature, supplemented by a limited survey of selected programs, provides an overview of the issues associated with operating IDA programs in rural America, a set of ‘action factors’ that help define success, and some initial observations on rural IDA programs. An appendix gives details on each of the selected programs. This paper is one of a series on wealth building in rural America.

Individual Development Account Programs

Individual development accounts have emerged to assist low-income households as a result of the shift from income-based policies to asset-based policies. Asset-based policies seek to increase educational attainment, encourage household stability, reduce high-risk behaviors such as violence and substance abuse, and increase future and long-term planning (Gorham, et al., 2002). Unlike income-based policy programs, such as Food Stamps or TANF, asset-based policy programs enhance asset ownership among the poor while discouraging the transfer of poverty from one generation to the next. This goal is pursued through activities that include financial literacy training and other mechanisms that encourage savings, matching dollars for

participant savings, and asset-specific training. In most programs, IDAs provide low-income working families a means to save towards the purchase of a major asset, typically a home, post-secondary education, or a small business.

IDA programs are implemented by a range of community-based organizations including community action agencies, faith-based groups, or nonprofit organizations. The organizations partner with a variety of government and private sector entities to provide matching funds for the IDAs (CFED, 2005). These collaborations allow the organizations to secure local financial contributions, establish strong relationships with financial institutions, increase referrals, and locate sources of technical assistance and volunteers (Gorham, et al., 2002). IDA funding sources and partners include governmental agencies such as state departments of commerce and the U.S. Housing and Urban Development (HUD) Department. Locally, IDA organizations seek assistance from community development credit unions, banks, community foundations, individuals, and development corporations (CFED, 2005). In addition to holding the IDA accounts, local community-based organizations identify and refer potential participants to the IDA program and assist in financial literacy training and related IDA program services.

Unique Challenges of Rural Areas

The history, economy, geography and culture of rural areas present challenges to the effective operation of IDA programs that are not as common in urban areas. These manifest themselves as long-term housing issues, inadequate liquid assets both at the individual and community level, and a shortage of good jobs.

Historically, rural communities have faced a low and declining level of federal housing funds (The Center for Rural Affairs, 2005). According to the Center for Rural Affairs, “over twice as many urban or metropolitan homeowners receive government-assisted mortgages. On a per-capita basis, metropolitan counties receive nearly 10 times the Federal Housing Administration (FHA) assistance than do rural counties” (The Center for Rural Affairs, 2005, p. 4). The age of rural housing is another issue. About 25 percent more housing units in non-metropolitan areas were built prior to 1930 and over one-third more rural housing units were built before 1919, indicating that the upkeep cost of a rural home is a significant burden (Center for Rural Affairs, 2005). Lack of access to affordable mortgages and quality housing stock suggest that housing is a critical component of rural IDA programs.

Similarly, serious obstacles characteristic of rural economies signify the need for well-planned IDA program designs. Rural areas have significantly lower incomes and earnings than their metropolitan counterparts. In fact, rural counties predominate when it comes to encompassing the lowest income areas and the highest poverty rates of the nation (Center for Rural Affairs, 2005). Further, assets in rural areas tend to be “illiquid assets such as personal residences, farms and ranches or other forms of real estate” (Center for Rural Affairs, 2005). As a result, rural residents are generally “net financial asset” poor when compared to residents in metropolitan areas (Center for Rural Affairs, 2005). The weaker economies of rural areas reduce the number and quality of job opportunities, and the amount of local funds for program support. Lack of local funding, both private and public, ultimately means rural IDA programs have fewer participants than their urban counterparts (Gorham, et. al, 2002).

Geographic isolation and lack of transportation systems cause difficulties for rural IDA programs trying to attract and retain eligible participants. Rural populations are far more widely

dispersed than urban populations and cannot be reached through traditional promotional media. More importantly, time and distance make it harder for the people actually recruited to actively participate in IDA programs. Transportation is usually limited or nonexistent for those within the target population, and would-be participants find it impracticable to attend mandatory economic and financial literacy classes. Tangentially, childcare and other social services are more difficult to obtain without transportation (Gorham, et. al, 2002).

Finally, cultural values constrain participation for residents of rural areas. Rural families tend to be reluctant about sharing financial information in a public setting and may be distrustful of public programs in which “promised benefits that might be perceived as too good to be true” are offered (Gorham, et. al, 2002, 64).

With marked differences from low-income urban dwellers and their related IDA programs, all of these factors clearly indicate the need for effectual IDA programs in rural America. At the same time, they pose significant barriers to the development and execution of successful IDA operations. In the section below, the authors discuss findings from the review of several rural IDA programs and potential indicators for success.

Building a Successful Rural IDA

IDA programs are located across the United States but more recently are appearing in growing numbers in rural areas. Federal and state IDA policies make little distinction between rural and urban programs but the key components of the programs, such as the type of assets for which participants save and the requirement of a financial literacy class, are more easily applied in urban locations. A report published in 2002 by the Center for Urban and Regional Studies at

the University of North Carolina – Chapel Hill evaluated the experiences of IDA programs, rural and urban, across the state. The Center found the challenges IDA programs face are generally the same in rural and urban areas, but those of rural IDA programs tend to be more severe (Gorham, et. al, 2002). In addition to geography, transportation, funding, and cultural values, the report underscored two other issues prevalent in rural areas: IDA participant recruitment obstacles, and fewer, quality job opportunities.

Notably, the Center proposes five action factors necessary to the success of rural IDA programs:

- 1) **Solid Client Identification System:** Work with a clearly identifiable clientele or partner with local agencies that can make referrals to the IDA program.
- 2) **Critical Mass:** Ensure that the geographical area where the IDA program is located is large enough to provide a critical mass of participants and program staff. Maintain staff in close proximity to where participants live.
- 3) **Stable Funding:** Cultivate stable sources of funding outside of IDA program funding.
- 4) **Diversified Experience Base:** Hire staff with experience in housing and microenterprise programs; in particular, experience in creating relationships with financial institutions and lenders.
- 5) **MIS Capability:** Possess the ability to handle the staffing and technical requirements of a Management Information System that will address the data requirements of the IDA program (Gorham, et. al, 2002).

Adherence to these factors may contribute to the success of rural IDA programs, especially in overcoming start-up and recruitment challenges. Considering these items will assist an organization in determining whether it has the necessary capacity to support an IDA program. Setting up a program according to these guidelines can produce useful measurements in the evaluation of rural IDA programs (Gorham, et. al, 2002).

Methodology and Analysis

For this analysis, eight select rural IDA programs were contacted and asked about the implementation processes and successes of their programs. They were identified by reviewing the Corporation for Enterprise Development (CFED) website, the Foundation for the Mid South Directory, the Annie E. Casey Foundation, and an Internet search. Program information was collected through telephone interviews, email correspondence, and program websites, where available. The appendix attached to this paper provides details about each organization, and its related umbrella organization, when applicable.

Table 1: Rural IDA Programs for Analysis

| Program | Location | Year Established | Current Number of Participants* | Type of Assets | Financial Training Required | Umbrella Agency |
|---|-----------------|-------------------------|--|---|------------------------------------|---|
| Beaufort Cty. Project Rural Carolinas | North Carolina | 2004 | 14 | Home Ownership | Yes | NC IDA and Asset Building Collaborative |
| Combined Community Services, Inc. | Indiana | 2002 | 11 | Home Ownership; Education; Small Business Development; Job Training Program | Yes | Indiana Department of Commerce |
| Fresno County Economic Opportunities Commission | California | 1999 | 45 | Home Ownership; Education; Small Business Development; Automobile Purchase; Computer Purchase | Yes | Individual Organization** |
| Ozark Opportunities Inc. | Arkansas | 2003 | 29 | Education | Yes | Foundation for the Mid South |
| St. James Council on Aging | Louisiana | 2004 | 12 | Home Ownership | Yes | Foundation for the Mid South |
| Southern Good Faith Fund | Arkansas | 1999 | 183 | Home Ownership/Renovation; Education; Small Business Development | Yes | Foundation for the Mid South |
| Western Piedmont Council of Government | North Carolina | 2003 | 20 | Home Ownership | Yes | NC IDA and Asset Building Collaborative |
| WV Welfare Reform Coalition | West Virginia | 2004 | 10 | Home Ownership; Education; Small Business Development | Yes | Individual Organization** |

* Represents number of participants at the time of the study.

** Indicates these organizations are not under an umbrella organization, but part of an individual organization.

Table 1 provides an overview of the programs reviewed in the analysis. Several inferences can be drawn from this comparatively small sample: IDA programs are relatively new to rural areas; rural IDA programs tend to serve fairly limited numbers of participants (although more mature programs serve more people); the support of a larger umbrella organization – whether governmental or private nonprofit – appears critical to success; and the range of asset-building options is similar to those found in the greater IDA practitioner field.

Analysis

Neophyte Organizations, Low Productivity

Based on the organizations examined for this research, IDA programs in rural communities have emerged in recent years. The majority of programs identified have been in existence for three years or less. Two programs date back to 1999. In addition, the newer programs tend to have fewer participants than programs that began in the 1990s. The two IDA programs that began in the late 1990s, the Fresno County Economic Opportunities Commission (EOC) and the Southern Good Faith Fund, have three to eleven times as many participants as younger programs. Such disparity may indicate that programs require time to grow and develop before achieving satisfactory service delivery levels.

Umbrella Organizations, Enhanced Capacity

Five out of the six IDA programs that began in the 2000s have a partnership with an umbrella agency. Umbrella agencies are larger, central entities that supply resources, training

and capacity for locally-based IDA programs. For example, the Foundation for the Mid South is a large granting organization that provides funding and technical support for 19 local IDA programs in Arkansas, Mississippi, Louisiana, and East Texas. Ozark Opportunities, Inc. is one of its IDA partners. In its second year with 29 IDA clients, Ozark Opportunities relies on its relationship with the foundation to leverage resources and connections for participants, enhance the professional development of staff, build capacity, provide match dollars, and produce training modules for IDA savers.

In some instances, the umbrella agency administers its own IDA program independently. Two of the rural IDA programs discussed, the West Virginia Reform Coalition and the Fresno County Economic Opportunities Commission (EOC), act as their own “umbrellas.” In addition to IDA programs, both offer other forms of economic assistance—microenterprise, job training, and family and career counseling; and related services—childcare, health education, and youth programs. These organizations have greater breadth than the average rural IDA program, and are able to muster the resources needed to operate their rural IDAs.

Traditional Asset-Building, Sometimes Specific

When all eight rural IDA programs are considered, every type of asset savings goal found in the broader field is represented: housing purchase and/or repair, microenterprise, higher education, job training, vehicles, computers, and SEED accounts. However, four of the six rural programs that began in the 2000s only offer one type of asset-building support, due to restrictions related to mission, funding, opportunity and staff experience. The Beaufort County Project for the Rural Carolinas, St. James Council, and the Western Piedmont Council of Governments are designed for the purchase of one specific asset—a home. Participants in the

Ozark Opportunities, Inc. program are limited to using their assets to pay for education, with a goal of providing college funding for rural students who do not generally have the access and resources to apply for scholarships and pay for college (Hamlin, personal communication, April 2005). In Indiana, IDA participants can add to the education option by using their assets to participate in an accredited or licensed job-training program.

The Fresno County Economic Opportunities Commission (EOC) IDA program is the only program in this grouping in which participants can save for the purchase of an automobile or a computer. Fresno EOC provides car purchases because they enable IDA participants in rural areas to reach job opportunities outside their area; and it opens up the computer goal so that participants can complete higher education through the use of up-to-date technology. In this way, long-term goals are achieved. Conversely, a number of the programs rule out automobile and computer purchases because they are considered depreciating assets, and, in their view, are counter-productive to long-term asset-building strategies.

Other Common IDA Constructs

Matching Funds. All of the programs in the analysis provided monies to match the amounts being saved by IDA participants, although the precise match varied between programs from one dollar for every dollar saved to six dollars for every dollar saved (1:1 to 6:1). Matching the funds of participants is a hallmark of the rural IDA programs, and a significant incentive for speeding up the achievement of participants' individual savings goals. Such accomplishment contributes substantially to the goals of the IDA organizations themselves.

Financial Literacy Classes. Another commonality between all of the rural programs is financial literacy classes. Generally, program participants hoping to gain match money are required to attend financial literacy courses where they learn important economic skills such as budgeting, setting financial goals, credit management, and financial services. The training has the further benefit of helping IDA participants understand the financial commitment involved in purchasing a home or business, or paying for further education. Market-sensitive programs, like the Fresno EOC, provide financial literacy training in three languages: English, Indochinese, and Spanish to reach a larger asset-deprived population.

Conclusion

IDA accounts have been successful in both urban and rural areas in building the wealth of low-income families and individuals but more severe challenges to success are faced by rural programs. The rural IDA programs discussed in this paper dealt with common obstacles: the history and economics of place, decentralized populations and geographic isolation, and obstructive cultural mores. Some of the direct fall-out of these barriers has been limited program funding, a paucity of qualified IDA participants (earning sufficient income to participate), ineffective outreach and recruitment, and lack of trust in IDA programs. How that plays out for the majority of programs surveyed is that they currently serve a very small number of people.

However, on a brighter note, the potential is there as the eight IDA programs meet all or some of the factors to success, depending on their size and capacity. Either on their own, or

through partnership with an umbrella organization, rural IDA programs are stabilizing, both programmatically, and monetarily, and there is some evidence that emerging programs will grow to higher levels of productivity like their more mature colleagues as they gain experience and audience.

It should be noted that due to the relative newness of rural programs, there is no formal evaluation of successful programs, although informal assessments exist. Further research is indicated in order to develop a stronger profile of successful rural IDA programs.

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Appendix

Descriptions of Individual Rural IDA Programs:

Umbrella Agencies and Local IDA Programs

This section includes a review of each umbrella organization and rural IDA program. Descriptions include the specific program components of the IDA, and some measure of program success.

UMBRELLA: North Carolina IDA and Asset Building Collaborative

The North Carolina IDA and Asset Building Collaborative serves as the state's IDA umbrella agency. It is the central coordinating agency for asset-based development in North Carolina. The IDA and Asset Building Collaborative provides technical assistance to local IDA programs; creates statewide partnerships with IDA programs, policy makers, and funders; and researches successful asset-building strategies. Additionally, it provides ongoing training for local sites, peer exchanges, economic literacy curriculum and resources, vigorous policy advocacy, and public education (North Carolina IDA and Asset Building Collaborative, 2005).

The North Carolina IDA and Asset Building Collaborative has been in existence since 1997 and its success is partially due to the involvement and support of the North Carolina government. The program secured funding from the state to administer a two-year IDA program. Primary funding came from the North Carolina Department of Labor and Department of Commerce, through the Division of Community Assistance. The Division allocated funds from the Small Cities Community Development Block Grant (CDBG) for a homeownership IDA program.

Since that time, the Collaborative has expanded the IDA program and its partners. The IDA and Asset Building Collaborative secured additional funding through the federal Assets for Independence Act (AFIA), the North Carolina Housing Finance agency, and significant in-kind support from program practitioners and other partners (North Carolina IDA and Asset Building Collaborative, 2005). The program has continued to evolve into more than just IDAs. The Collaborative is now actively involved in policy development, networking, fundraising, and technical assistance. Today the Collaborative operates 25 program sites, accounting for approximately 700 active IDA accounts (North Carolina IDA and Asset Building Collaborative, 2005).

The North Carolina IDA and Asset Building Collaborative boasts a rare collaboration for its funding. Because of its partnership with the Department of Commerce, the Division of Community Assistance is able to provide IDA funding through the Small Cities Community Development Block Grant (CDBG) program. The North Carolina Department of Commerce has set aside approximately \$200,000 of the Small Cities CDBG from the Housing Development category to be used for the establishment of IDA accounts (North Carolina IDA and Asset Building Collaborative, 2005). These funds are awarded to approved program applicants supporting homeownership IDAs. Additionally, the Division administers the statewide IDA program, creating its guidelines and procedures. Not only does the Division of Community Assistance provide support for homeownership through IDA programs, but it also conducts data collection on current programs to be used for future policy and program development.

RURAL IDA: Beaufort County Project for the Rural Carolinas

The NC Collaborative operates over 25 local IDA sites, some of which are specifically for rural areas. One such IDA program is the Beaufort County Project for the Rural Carolinas. This IDA project is has been in operation for one year. It currently has 14 participants working towards homeownership. The Project for the Rural Carolinas has been called a model program by the North Carolina Division of Community Assistance because of its success at building bridges in the rural community, specifically by creating partnerships with local organizations and financial institutions and by expanding access in rural areas (Gentile, personal conversation, April 2005). While the 14 participants have not completed the IDA program, the Project for the Rural Carolinas has been successful in terms of its financial education of rural people and in its ability to recruit participants in a rural area. The Department of Commerce will conduct a formal evaluation of the program (Gentile, personal conversation, April 2005).

RURAL IDA: Western Piedmont Council of Governments

Another rural IDA program in North Carolina is the Western Piedmont Council of Governments (WPCG). This is a regional planning organization serving 28 local governments in a four-county region. It is also referred to as the Uni-Four Consortia. WPCG provides planning services, project administration, and technical assistance to its member communities (both urban and rural) and administers the region's IDA program (WPCG, 2005). Each year, the IDA program is administered in a different county. The program is in its third funding cycle.

Currently, the IDA program is located in Alexander County. Alexander County is extremely rural, with its largest city having a population of only 2,000. There are approximately 20 participants in the program from Alexander County and each can earn up to \$1,000 in their IDA accounts (Coley, personal communication, April 2005). To ensure the program is successful and participants complete the program, participants are required to meet with a credit counselor prior to enrollment. This meeting will determine participant dedication and likelihood to become creditworthy in one year's time (Coley, personal communication, April 2005).

In addition to the \$1,000 IDA accounts, participants are also eligible for the \$5,000 Down Payment Assistance Program, which is part of the Home Investment Partnerships Program (HOME) program through the Department of Housing and Urban Development (HUD). If participants choose to enroll in the IDA and the HOME program, they can earn \$7,000 towards a down payment on a house (Coley, personal communication, April 2005).

The WPCG's IDA program has been successful at recruiting rural participants, as all of its literacy classes are at full enrollment (Coley, personal communication, April 2005). The Consortia uses word-of-mouth to reach its rural constituency. As well, bankers often refer eligible IDA participants to the program, and frequently, referrals are the result of failed loan applications (individual or family not approved by the bank for a home mortgage) (Coley, personal conversation, April 2005). The WPCG has not had to use newspapers or other media outlets to advertise its program (Coley, personal conversation, April 2005).

UMBRELLA: Indiana Department of Commerce, Division of Community Assistance

Indiana's IDA program is administered by the state's Department of Commerce. Its goal is to help low-income families across the state build assets, become self-sufficient, learn personal financial skills, and improve their quality of life. The state's IDA program was established in 1997. Through the guidance and oversight of the Division of Community Assistance, IDA programs in Indiana are administered by a network of 39 local nonprofit agencies and 31 financial institutions (Indiana Department of Commerce, 2005). In addition to the funds provided by the Department's partner financial institutions, community organizations are allowed to attract private donations (Indiana Department of Commerce, 2005).

The Indiana Department of Commerce allocates approximately 800 IDA accounts per year to participating community organizations (Indiana Department of Commerce, 2005). These local organizations are responsible for the marketing of the IDA program, the recruitment and screening of potential participants, arranging the annual financial training courses, and for annually reporting on the program to the Department of Commerce (Indiana Department of Commerce, 2005).

RURAL IDA: *Combined Community Services, Inc.*

One of the state's 30 participating agencies is Combined Community Services, Inc. Combined Community Services, Inc. is a nonprofit agency that services rural populations by providing IDA accounts. It is a Christian faith-based, nonprofit human service agency that serves the low-income residents of Kosciusko County, Indiana by removing barriers to self-

sufficiency through community-supported programs (Combined Community Services, Inc., 2005). This nonprofit not only administers one of the state's IDA programs, but also provides job training and placement, transportation assistance, counseling, and more.

The Combined Community Services, Inc. IDA program started in 2002 and currently has 11 active IDA accounts. This IDA program offers participants a 3:1 or 6:1 match for housing, education, or starting a small business (CFED, 2005). Two match levels are possible due to the fact that participants receive a 3:1 match through their IDA account, but some participants also receive an additional 3:1 match from their AFIA grant, resulting in a 6:1 match (Combined Community Services, 2005).

To participate in Combined Community Services' IDA program, potential participants must meet three criteria: participants must live in Kosciusko County, Indiana; participants must meet the income guidelines, which is 175 percent of the Federal poverty level or below; and savings in an IDA must come from earned income (Combined Community Services, 2005). Like most IDA programs, this agency allows the use of IDAs to pay for higher or vocational education, to purchase a home, or to start or expand a small business. Participants attend financial training classes and receive personal counseling and support from the agency.

INDEPENDENT: Fresno County Economic Opportunities Commission

The Fresno County Economic Opportunities Commission (Fresno EOC) was established in 1965 with the goal of focusing all available resources to empower low-income families and individuals working towards self-sufficiency (Fresno EOC, 2005). This organization provides human services to Fresno County and throughout central San Joaquin County, California. One-

third of the population in these counties is disadvantaged, making the Fresno EOC an essential organization in the area (Fresno EOC, 2005). EOC helps over 150,000 disadvantaged residents each year through a variety of programs (Fresno EOC, 2005).

The Fresno EOC provides micro enterprise training, job training and placement, transportation assistance, family counseling, health education, youth programs, and IDA programs. Fresno EOC has numerous partners that aid in the distribution and implementation of these services. Fresno EOC works with over 100 local public and private nonprofit agencies, over 75 national and state partners, and over 60 community network partners (Fresno EOC, 2005).

RURAL IDA: *Fresno County Economic Opportunities Commission IDA Program*

The Fresno EOC established an IDA program in 1999. The Fresno IDA program provides a variety of asset-specific services: home-buying training and counseling, program withdrawal planning, post-secondary education counseling, microenterprise training and technical assistance, micro-lending for asset purchase, automobile purchase training, computer purchase training, and post-purchase follow-up (CFED, 2005). Like other IDA programs, this one also requires the completion of a financial literacy course and credit counseling. However, an interesting aspect of this IDA program is that the financial literacy classes are provided in languages other than English: Indochinese and Spanish (CFED, 2005).

Currently, there are 45 active accountholders participating in the Fresno EOC IDA program (CFED, 2005). It provides IDAs for rural and urban residents. The rural participants served by the Fresno IDA program tend to be seasonal and migrant workers living in rural

communities. All participants must meet the income guideline, which is 200 percent of the Federal poverty level or below (CFED, 2005). This IDA program provides 2:1 matches to its participants, and they can earn from \$2,000 to \$2,999 (CFED, 2005). The Fresno EOC IDA program is funded by the Office of Refugee Resettlement, CalWorks IDA, HUD, Youthbuild IDA, AFIA, and other private donors.

A creative combination of four IDA grants helps EOC reach several different target populations. Fresno EOC has a grant from the Office of Refugee Resettlement to serve area refugees. It allows the savings goal of an automobile or computer in addition to more traditional asset goals. These assets are deemed necessary because participants, especially in rural areas, need to have the means to get to job opportunities and to communicate with their job sites or potential employers (Fresno EOC, 2005). Computers help participants increase their market skills (Acevedo, personal conversation, May 2005). A number of EOC refugee clients settle in rural areas, and a large population of Asian farmers participate in the IDA program. These farmers receive microloans to start their farm businesses and save in IDAs to purchase tractors or trucks for their farms (Acevedo, personal conversation, May 2005).

IDAs at the Fresno EOC are also funded by a grant from the Office of Community Service. The grant provides funds to low-income families and individuals in rural and urban areas in the county (Acevedo, personal conversation, May 2005). Another grant is provided by Temporary Assistance to Needy Families (TANF). Participants under this grant must be TANF recipients. Like the grant provided by the Office of Refugee Resettlement, the TANF IDAs can be used towards the purchase of an automobile or computer, as well as homeownership, small business development, or post-secondary education (Acevedo, personal conversation, May 2005). A final IDA grant is provided by the Department of Housing and Urban Development

(HUD). Participants receiving IDA matches from this grant are restricted to purchasing a home, post-secondary education, or a small business. This program is different because participation is strictly for individuals in the Youthbuild Program, Americorps or CalWorks (Acevedo, personal conversation, May 2005).

Currently, the Fresno EOC is seeking a grant with the city of Orange Cove that would provide IDA funding for first-time homebuyers in rural areas only. The program is currently working with Union Bank and Orange Cove in obtaining \$80,000 for rural-specific IDAs (Acevedo, personal conversation, May 2005).

UMBRELLA: Foundation for the Mid South

The Foundation for the Mid South is a regional development foundation that is designed to bring people together, strengthen communities, and multiply resources. The Foundation for the Mid South's IDA Initiative seeks to expand wealth-building opportunities for the Mid South region's low-income and asset-poor population. It provides funding and training to 19 local IDA programs in Arkansas, Louisiana, Mississippi, and southeast Texas. IDA accounts are used to finance college education, home ownership or repair, or small business development. The Foundation for the Mid South partners with local community based nonprofit organizations to administer the local IDA programs, and financial institutions to provide financial education classes and training (Foundation for the Mid South, 2005).

The Mid South IDA Initiative's top goal is to focus on rural areas: to build the assets of low-wealth people, especially in rural areas, and to help ensure secure financial independence (Foundation for the Mid South, 2005). In addition to this goal, the initiative seeks to attract

regional and national resources and to develop the capacity of local and statewide programs to improve access to IDAs while identifying opportunities for future funding (Foundation for the Mid South, 2005). This IDA Initiative hopes to break the cycle of poverty that exists in the Mid South.

RURAL IDA: *Ozark Opportunities, Inc.*

One rural IDA program under the Foundation for the Mid South umbrella is Ozark Opportunities, Inc. in Arkansas. In its second year, Ozark Opportunities, Inc. focuses solely on building assets for education. Its goal is to provide college funding for rural students who do not generally have the access and resources to apply for scholarships and pay for college (Hamlin, personal conversation, April 2005). The area Ozark Opportunities, Inc. covers is primarily rural with 44 percent of the population “unbanked” – which translates to a significant portion of the population who do not have bank accounts. This is higher than the national average (Hamlin, personal conversation, April 2005). Like other IDA programs, Ozark Opportunities, Inc. requires the successful completion of a financial literacy course. Participants have the option to re-enroll in the program after one semester or year of school; however they must take another, more advanced, eight-week financial literacy course (Hamlin, personal conversation, April 2005) to do so. This program is successful based on the fact it has secured funding for the future.

RURAL IDA: *St. James Council on Aging.*

St. James Council on Aging in Louisiana is another IDA program administered by the Foundation for the Mid South. The St. James Parish Council has been in existence for a little over a year and currently has 12 participants. With funding received to continue its IDA program, St. James targets low-income families in the rural community and is geared entirely towards home ownership (Raphael, personal conversation, April 2005). Eligible participants must have an individual household income less than 200 percent of the Federal poverty level, and their household net worth must be less than \$10,000 (St. James Council, 2005).

RURAL IDA: *Southern Good Faith Fund*

Several of the local IDA programs under the Foundation for the Mid South umbrella cater to and are located in rural areas. One of the larger programs is the Southern Good Faith Fund in Arkansas. The Southern Good Faith Fund works to increase the income and assets of low-income and low-skilled people in the Arkansas and Mississippi Delta. The Delta is a historically poor and rural area, which is home to high unemployment rates and low wages (Southern Good Faith Fund, 2005). The Good Faith Fund aims to build confidence, skills, and self-sufficiency through participation in an IDA account.

The Good Faith Fund is successful because it is continuously productive and repeatedly succeeds at renewing its funding for future IDAs. Since 1999, the Southern Good Faith Fund has had over 526 participants; 20 percent of the participants did not have a bank account prior to participation in the asset-building program (Southern Good Faith Fund, 2004). These asset

builders have acquired more than \$1.9 million in mortgage loans, which has created equity, generated property tax revenue for the community, and stabilized families and the economy (Southern Good Faith Fund, 2004).

The Southern Good Faith Fund encourages asset building through multiple programs: IDA accounts, Savings for Education, Entrepreneurship, and Development (SEED) accounts, and economic skills. The IDA accounts can be used for homeownership or home improvements, post-secondary education, job training, or business development. The savings account provides a 3:1 match, with a maximum of a \$2,000 match for individuals and \$4,000 for families (Southern Good Faith Fund, 2005).

In addition to participating in the IDA program, participants may also start SEED accounts. These accounts are long-term asset-building accounts which are established when a child is three or four years old and allowed to grow over their lifetime (Southern Good Faith Fund, 2005). The Good Faith Fund is one of only 10 organizations chosen by the Corporation for Enterprise Development (CFED) to participate in the national SEED account initiative. The Southern Good Faith Fund also teaches asset building participants important economic skills such as how to plan a family budget and set financial goals. IDA participants attend a five-part economic skills class plus an asset-specific class.

Part of the Southern Good Faith Fund's success is its affiliation with Southern Bancorp (a second umbrella). Southern Development Bancorporation is the largest rural development organization in the United States. It is a \$400 million bank holding company committed to transforming rural economies in Arkansas and Mississippi through investment in jobs, businesses, housing, and people. It has built rural assets through the construction of new and renovated affordable housing, downtown development, IDA program funding, workforce

development, women's business development, and public policy. (Southern Development Bancorporation, 2005). Southern Bancorp is chiefly responsible for funding and building the capacity of the Southern Good Faith Fund.

INDEPENDENT: West Virginia Welfare Reform Coalition (WVWRC)

The West Virginia Welfare Reform Coalition (WVWRC) provides access to information and educational opportunities to the state's poor families and individuals in order to help them become self-sufficient (WVWRC, 2005). One program administered by the WVWRC is the West Virginia Asset Development Initiative. The Asset Development Initiative helps the state's low-income, urban and rural, families build assets for the purchase of a home, paying for post-secondary education, and new business development (Lovas, personal conversation, April 2005). The Initiative does not distinguish between urban and rural, but acknowledges that the population it serves is primarily rural (Lovas, personal conversation, April 2005).

The West Virginia Asset Development Initiative is made up of three components: 1) a statewide EITC Outreach Campaign, which targets TANF recipients in their communities; 2) IDA savings accounts with financial literacy training for first-time participants; and 3) training outreach workers in comprehensive self-sufficiency techniques and eligibility benefits (WVWRC, 2005). These three components create multiple contacts and resources in the community. The goal of this initiative is to help "working West Virginians claim their EITC and use a small portion of that money to begin saving for an asset with match dollars in an IDA account" (WVWRC, 2005).

RURAL IDA: West Virginia Welfare Reform Coalition (WVWRC)

In 2004, WVWRC initiated a pilot IDA program in the rural county of Kanawha. The pilot program has recently completed its first year and had 10 participants. The Asset Building Initiative collaborated with a local community-based organization in the development and implementation of the program. The Initiative chose to partner with a faith-based organization because this organization has the trust of the community. The partner organization is responsible for recruiting eligible participants, managing the IDA accounts, and providing education on approved asset choices (WVWRC, 2005). Partner organizations also completed Internal Revenue Service training so they are able to serve as a free income tax preparation site and can distribute Earned Income Tax Credit (EITC) information to clients.

The Initiative has demonstrated success in Kanawha County and is seeking funding to replicate its program in six other counties. New counties are chosen on the percent of the population who are eligible for EITC, but who are not filing for it (WVWRC, 2005). The Asset Development Initiative in Kanawha County serves as a model of collaborative outreach on multiple fronts for other West Virginian counties (WVWRC, 2005).